

# Nation's Business

December 1961 Vol. 49 No. 12

Published by the Chamber of Commerce of the United States  
Washington, D.C.

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## **23 TRENDS: No good time in capital**

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## **34 Survival plans your company can use**

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# WASHINGTON BUSINESS OUTLOOK

## Look at the future through research.

Rate of spending is a useful indicator of what's ahead.

Specialists estimate:

Money for research and development heads for record \$16 billion in '62.

That'll be almost double the '56 outlay.

Speed-up indicates bigger future flow of new products and services, new and improved methods of production, higher standards of living.

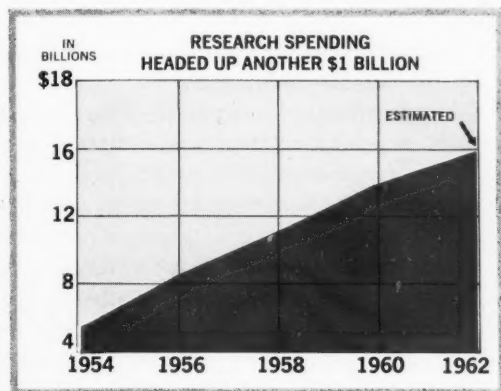


Chart shows estimate for research spending through next year.

You can project it beyond that by adding about \$1 billion a year, going up steadily to about \$1.5 billion additional investment each year by mid-decade.

## Mild optimism marks housing outlook.

Construction of new homes this year will amount to approximately 1.3 million.

Number will be up four to eight per cent next year.

This implies no building boom—hence the term mild optimism.

Construction should rise for warehouses, new office buildings, stores, restaurants, garages.

Higher expenditures also are indicated for new schools and hospitals.

Highways will gain, too.

So will many categories of government spending for construction.

## Cost zoom continues.

Here's way to keep cost trends in perspective:

Businessmen paid out \$4.25 in wages for every \$1 of profit earned in '50.

In the year ahead you can expect to pay out more than \$8 in wages and salaries for every \$1 of profit.

**No interruption in sight** for these wage-cost trends.

It means:

Profit squeeze is continuing despite rising sales volume.

Look on page 50 for report on businessmen's own expectations for 1962.

## Gloomy outlook?

No—there are business problems ahead and it pays to know about them.

But there also are opportunity and hope for profit improvement.

Record production in the next 12 months is certain.

Forces pointing that direction are in motion.

Here's your perspective as seen through national trends:

Total output of goods and services will reach an estimated \$555 billion for the year.

It's about \$520 billion this year, was \$504 billion last year.

Income consumers have also will rise—probably about six per cent.

Economists think Americans will spend about six per cent more.

But all categories of business won't go up the same.

Durable goods sales may go up as much as nine per cent.

Nondurable goods are projected upward by

about five per cent. Services are likely to rise about 6.5 per cent.

**Cost reduction** gets heavy emphasis in '62 plans for new plant and equipment.

Expenditures by businessmen are picking up after sinking to a low point about six months ago.

Look for outlay next year to reach about \$39 billion. That'll top the \$37 billion record sum spent in '57.

There's this to keep in mind about outlay for new plant:

Emphasis shifted about two years ago from bigger plant to cost-reduction equipment.

This trend is continuing, with ever more attention to cutting costs.

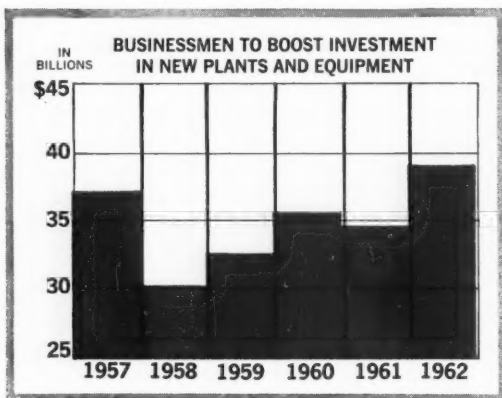
Efforts paying off?

Some, say the experts.

But bigger impact on costs will come later when enough of that type of equipment replaces older machines.

Specialists think there'll be some reflection in next year's profits.

After next year the new machines should be paying off at a better pace.



**New tax plan** is being formed.

Here's what to expect: President Kennedy

will sketch his proposals to Congress early in the new session in his State of the Union Message.

Special tax message probably will be sent to Capitol Hill later.

Plan will call for broad revision aimed at stimulating job-creating investment.

Action?

You can expect some new tax laws in '62.

But broad revision to be talked about will be programed for action in '63 session.

**Congressional battles** will center around issues important to business.

**Investigations of companies**—This proposal would make information which firms put together for government agencies available to congressional committees for public investigations.

Watch movement of this bill through the Senate and House judiciary committees.

**Complaints about business**—Proposed law would put cease and desist orders of Federal Trade Commission into effect when complaint about some company practice is filed, to be in effect while investigation is going on. Orders now become effective after investigations.

**Mergers**—New push shaping up for proposal that would require companies to notify government before merging.

Government could block more mergers if bill becomes law.

**Schools**—Big new drive coming to provide federal money for buildings and teachers' salaries. Outcome iffy.

**Trade agreements**—Pressure is mounting both for free trade and tariff protection. Act expires June 30.

**Government medicine**—Administration wants social security law to be broadened to pay medical expenses of oldsters who qualify for social security payments. Very controversial. Early action unlikely.

**Unemployment**—Uncle Sam would pay for

# WASHINGTON BUSINESS OUTLOOK

training jobless workers, moving them to new job locations. New federal standards for jobless pay also will be pushed.

If unemployment remains high during winter and spring, chances for passage of these bills will improve.

There'll be strong pressure anyway.

Civil defense—Pentagon officials looking into possibility of constructing bomb shelters in schools. Cost could run about \$1 billion a year.

Patents—Protection would be destroyed on drug patents after three years.

Holder of drug patent would be forced to grant a manufacturing license, even to his competitors, at not more than eight per cent royalty.

This proposal will be vigorously opposed by businessmen who fear future actions would broaden coverage to other industries.

Inventions—Still unsettled is proposal concerning ownership of patent rights to inventions that arise out of government-financed research.

Proposal would claim patent rights for federal government.

Postal rates—Bigger and more vigorous attempt will be made to boost rates to wipe out \$840 million annual postal deficit.

New government departments—New drive coming to create Department of Urban Affairs and a Department of Consumers.

Government spending—Watch for Congress to trim President's fiscal '63 budget proposals.

Public debt—Temporary debt limit (now \$298 billion) will drop back automatically to \$285 billion at end of June.

New ceiling will be required since debt is likely to grow rather than shrink.

Debt could go up to \$300 billion.

Turn to page 36 for timely article on how congressmen see issues coming up in the next session of Congress.

## Spending speed-up passes record level.

Money is going out for national defense now

at the rate of more than \$50 billion a year—still rising.

Outlay exceeds peak Korean war year.

## Up from past year are expenditures for:

Men in uniform—About \$1.2 billion higher.

Procurement—Roughly \$1.4 billion.

Operation and maintenance—Running almost \$1 billion higher.

Military research—\$175 million more.

Increase in defense spending so far in new effort to expand forces amounts to about \$3.8 billion.

Could rise several billions more in the next six to 12 months.

That's faster than anticipated. Rise is one of the fastest ever.

## U. S. is racing toward new milestones.

Population this month passes 185 million, new total just tabulated by U. S. Bureau of the Census.

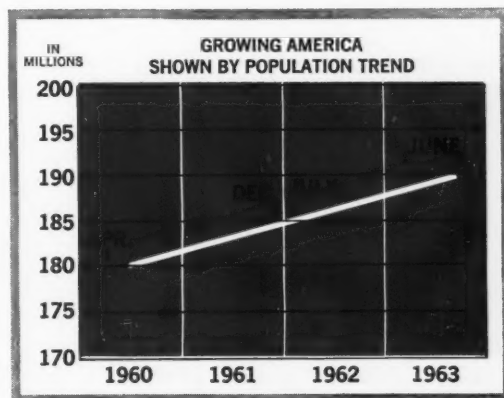


Figure is up from 180 million Americans counted in April last year when official census was taken.

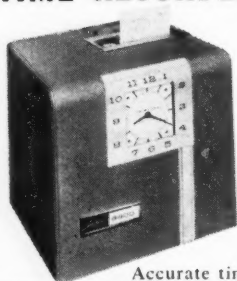
It's expected to reach 190 million by about the middle of 1963.

Best estimate now is that population will reach 200 million in 1966.

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## Business opinion:

# Many young workers take tax beating

I AM MUCH INTERESTED in "When to Look For Tax Reform" [November].

A comparatively young group of workers in the United States is taking an awful beating, taxwise, furnishing much to those who have reached retirement age and who have been forced to leave the labor force. They hope to receive some benefit at a later date, but some probably will not receive as much as they put into the social security fund. Unfortunately, some believe this is "insurance," as the government would have them believe.

Many of the proposed tax changes would affect adversely a large segment of those who have retired. One of these changes has to do with the dividend exclusion and credit, which has been of some benefit to those who rely upon income from their investments.

To include social security retirement payments in taxable income would surely reduce the living standards of many.

**L. D. RAMSEY**  
Vice Chairman of the Board  
Business Men's Assurance  
Co. of America  
Kansas City, Mo.

## On time

Your November editorial, "Work For Everybody," in concise, forceful language, spotlights a subject that needs attention, and particularly at this time when congressmen are at home.

We would like permission to reproduce this editorial for distribution.

**PAUL D. SHOEMAKER**  
Association of Western Railways  
Chicago, Ill.

►Permission granted.

## Dissatisfied boss

"How to Satisfy the Boss [October] is the best plea I have read yet for lack of moral integrity and managerial ineptitude.

I am a boss, a bit old-fashioned perhaps, but I have come to prize many qualities in subordinates, none of which were included in your article. These qualities spell the difference between success or

failure in any business venture and I am persuaded that any boss had better like them.

They are:

**Personal contribution**—The individual's contribution to the success of the unit or group, by exerting his maximum effort. This individual is normally committed to the success of the business.

**Personal integrity**—The individual who works, thinks and speaks honestly with himself and others. Nothing dissipates the success of an enterprise more than people who are doing half a job, thinking only part-time and speaking half-truths.

**Personal experience**—The individual must know his job. How can a superior succeed without the help of subordinates who really know their job? The boss who leans on inexperienced subordinates obviously gets only part of the facts and is incapable of making the soundest decisions.

**Personal self-development**—The individual who does not have a constant self-development program stifles the growth of the organization. Without this he never increases his contribution to the enterprise and in the end is a burden, a drag on progress.

**LOUIS AMATO**  
Chicago, Ill.

## Debate resumed

What, indeed, is the use to print definitive articles such as "We Come Closer to Russian Thinking" [September], when comments like those in "Business Opinion" [October] are the result? Are these businessmen incapable of digesting the Morley article? They need a good, old-fashioned education in reasoning, along with a few history lessons.

**JAMES K. JOBSON**  
President  
Foto Plates, Inc.  
Atlanta, Ga.

Mr. Morley is to be commended for his excellent article. His critics have not read his article carefully or they would not imply that his message violates the letter or the spirit of the Constitution. Atheism



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### Business opinion:

is no more a true religion, in the American use of the word, than is communism—a point which Mr. Morley makes very effectively. The Declaration of Independence, which antedated the Constitution by 11 years, made reverent reference to a Supreme Being in four separate places.

Reader Marton refers to rights under our "democratic way of life." Under a true democracy, atheists, being a minority group, would have no rights. It is our "republican form of government" (Constitution, Article IV, Section 4) which protects the rights of all minority groups. Would the dissenters elect a man to public office who would not pledge allegiance to the flag? An atheist would not say "... one Nation, under God ..."

My strongest objection is reserved for readers who infer that atheism and intelligence are synonymous, and that scientists and "real historians" (whoever they may be) are omniscient. Evolutionists and anthropologists have advanced many interesting theories, but they have neither discredited the Bible nor belief in God.

J. A. ROWE, JR.  
Longview, Tex.

Please allow me to express my appalled indignation and shocked disbelief at the reaction expressed by so many of your readers.

The idea that American businessmen could condone atheism and agnosticism comes as a blow to a naïve old country boy like me.

Am I to believe that the precepts of religion and law in this nation are only "myths"? Or that businessmen would have us cast aside the "ignorance and superstitions of the past" and look at the world through the eyes of the scientist?

I don't believe this country can long continue if many men of influence share the views expressed by some of the letters in your October issue.

CARROLL POUNCEY  
Manager  
Muleshoe Chamber of Commerce  
Muleshoe, Tex.

Weren't there some people in the gateway of Hell in Dante's great work who thought that both sides should have a hearing?

Heaven didn't want them, neither did Hell.

Cheers for Mr. Morley.

MRS. T. R. INGRAM  
Houston, Tex.



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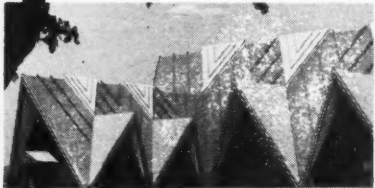
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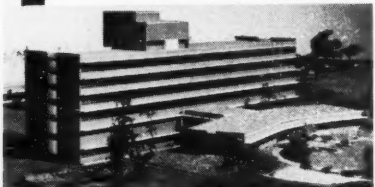
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# Executive Trends

- Tough management gets few votes
- Make suggestion systems work
- Can companies really train people?

Do you favor a tough-minded style of managing or do you lean to the so-called democratic approach?

This question has been causing a growing amount of discussion in business circles. Some of the country's most prominent authorities on management and personnel relations have been debating it openly, at times heatedly.

Proponents of the tough approach say we have tinkered too long with committees, employee counseling, group decision-making and some of the other characteristic features of democratic, or participative, management.

NATION'S BUSINESS—in a survey just completed (see page 50)—asked more than 200 business executives to indicate whether they preferred the authoritarian or democratic approach in their companies.

Result: 76.5 per cent chose the democratic style, 23.5 per cent the authoritarian.

Several executives who amplified their answers with written comments noted that there are times when both styles of managing are called for.

director of the Management Development Center of the U. S. Agency for International Development, and Associate Professor of Psychology N. Richard Diller of Penn State University—were asked for guidelines to successful suggestion systems.

Prof. Diller said suggestion systems "reflect wise management" because of the many useful ideas they pool. He cautioned, however, that systems can fail if they are: 1, too complex; 2, involve too much delay between idea submission and management acknowledgment or action; 3, if rewards for good suggestions are inadequate; and, 4, if the systems do not have the support of first-line supervisors.

Dr. Stewart predicted future suggestion systems will have to be modified to make greater allowance for rewards to groups of people for ideas which they submit collectively. He pointed out that creativity and idea-generation in business are becoming more and more a group effort, where once they represented the handiwork of individuals.

**Suggestion systems** have become as much of a fixture in U. S. business as the coffee break—yet debate persists as to their value, their proper role and their best handling.

The issue was raised at a recent meeting of the Maryland Society of Training Directors in Towson, Md.

The two men running the Towson conference—Dr. Nathaniel Stewart,

**Retraining** is the individual's responsibility, not the government's, nor the company's, nor the union's nor that of anyone else.

This assertion by Ross J. Wilhelm, University of Michigan instructor in marketing, highlights a problem of growing importance to business.

Government labor force experts



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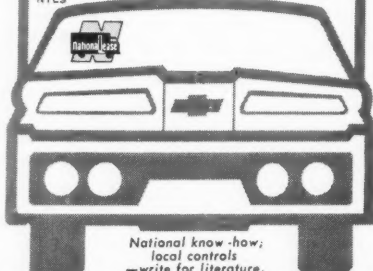
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## EXECUTIVE TRENDS

*continued*

and others have warned that the nation faces a first-magnitude challenge of upgrading worker skills to meet future changes in technology. But the question remains: Whose responsibility is it to see that the job gets done?

Mr. Wilhelm contends that the workman ought to have the initiative to acquire extra skills long before he is unemployed. "Each of us is going to be outmoded eventually," he argues, "and if we want to prevent it we had better act on our own now and develop flexibility. We should always be preparing ourselves, both technically and psychologically, for our next job."

• • •

Your company's executive development program should be critically re-examined to determine if it puts too much responsibility on the company, and too little on the individual whose development the program is designed to further.

Discussing this point, William T. Hocking, executive vice president of George Fry & Associates, management consultants, contends that results of development programs—at all levels—have more often than not produced disappointing results.

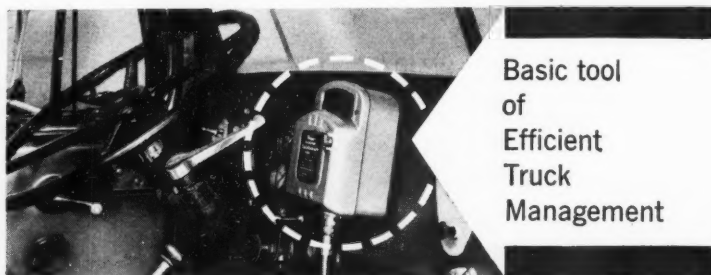
"A company can lend various forms of assistance to the individual for his development," Mr. Hocking says, "but in a real sense a company can't train a man. He must train himself."

Mr. Hocking recommends:

1. Spend considerable time and effort to assure that the individuals to be included in any development program have the required talents and abilities and, most important, that they have the real desire to develop and advance, including the willingness to work and sacrifice.

2. Devote considerable effort to assure that your firm is well managed and therefore provides the proper environment for development. This should include both the ability and willingness of line management to participate actively in the program and promote it.

3. Company aid programs, such as special courses, seminars, and outside reading, should be developed (continued on page 21)



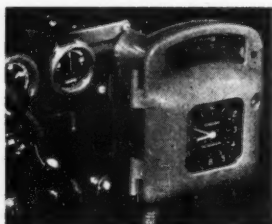
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## "INA, I presume?"

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The Insurance Company of North America, insurer of Rand McNally, takes in a lot of geography, too (48 foreign service offices alone!). And INA has done plenty of pioneering in its own field—like the "packaging" concept which combines many forms of protection in a single policy at great economy to the insured.

"Packaging," plus experience, flexibility and billion-dollar assets are all reasons INA is the leading insurer of American business, large and small. Why not put INA to work for your own business?

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World Headquarters: Philadelphia



## EXECUTIVE TRENDS

*continued*

oped and promoted. However, such programs should be adapted to individual needs as predetermined by understanding the participants' abilities and requirements.

"Generalized courses designed to cover the waterfront achieve much publicity but do not necessarily meet the needs of the individuals for whom the company is expending time and money."

4. Above all—be sure to emphasize to all individuals that they must develop themselves. The successful company of the future will be the one which places the responsibility where it belongs—on the individual, Mr. Hocking asserts.

**Tip:** A Chicago executive recruiter says he has noticed that practically all successful executives share one quality: They are liked by the stenopool or rate a smile from the president's secretary. The recruiter concludes: "Snub this group at your peril."

**Don't feel too bad** about the onrushing machine age.

Some of those super think machines which are supposed to replace so many of us, including not a few managers, have been shown to be not so super after all.

At least that is the story that two psychologists, John W. Gyr and Albert C. Cafagna, tell after giving "mental" tests to an electronic computer at the University of Michigan Medical Center.

An intricate psychological test used extensively for studies of human problem-solving ability was administered to a computer currently in wide use in industry. The test showed up the computer as "pretty simple-minded and vacillatory when it comes to solving problems."

Psychologist Gyr elaborates: "The computer has a strong tendency to seek simple paths to a solution until more complex paths begin to have much in their favor. It discovers these other paths largely by accident.

"Also, the computer is relatively unable to retain information . . . and continuously diverts its atten-

tion to different but false paths and thus has a tendency to vacillate around a solution, sometimes getting close—but on the next trial losing all or most of the ground gained."

The researchers add, however, that "other computer programs, basically more 'elegant' theoretically, tend to lead to machine behavior which is less vulnerable to these shortcomings."

• • •

**Have you ever considered** how the nearness of institutions of higher learning contributes to the well-being of your company and your own job satisfaction?

The first formal effort to identify these contributions recently was completed by Associate Professor Weston C. Wilsing of the University of Washington, through a survey of executives and other employees of The Boeing Company.

The undertaking was commissioned by the Joint Office of International Research, which represents 94 state universities and land-grant institutions.

It was found that Boeing benefits directly from its proximity to institutions of higher education through the pre-employment training such institutions make available to Boeing employees; through contributions of universities and colleges to company in-service training; through use of campus facilities and services in helping to solve company problems, through the off-campus services of college personnel to the company, and in other ways.

Indirect benefits to the company included the fact that colleges and universities in the company's area provide Boeing personnel with cultural and recreational outlets, assist in attracting and retaining employees, and serve as discoverers, disseminators and storehouses of knowledge useful to the company.

Three out of every four Boeing executives participating in the survey listed as primary assets the fact that such institutions provide a source of education for their children and other family members.

If your company has never inventoried the benefits it now derives—and could develop further—from colleges and universities in your area, it might be worth while to consider such a project in planning for the future.



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But that's not all. As a by-product of your billing, for example, the 632 can give you invoice registers, salesmen's commission statements and accounts receivable statements—automatically! In addition, the 632 with card input can handle your accounts payable, payroll and other accounting needs. Yet any good typist can use it after brief training.

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### **THE IBM 632** ELECTRONIC TYPING CALCULATOR



Makes accounting paper work  
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## TRENDS: WASHINGTON MOOD

# Pipe-and-tweed hopesters find no bully good time in capital

BY MERRIMAN SMITH

THE SCOPE AND FREQUENCY of criticism directed at President Kennedy and his Administration are increasing.

This is painful for the more fundamental New Frontiersmen who think of their leaders in rather total terms.

The current discordance, however, could be a blessing for the Chief Executive as he approaches the end of his first year in office.

For one thing, the criticism serves as a goad or, to switch metaphors somewhat suddenly, a magnifying mirror. Current criticism, if regarded with a minimum of political emotion, also might serve to make professionals out of some of the cheery pipe-and-tweed hopesters who flocked to Washington last January expecting a bully good game instead of a frequently gray world of dreary routine and monumental road-blocks glacial in their resistance to change.

Unanimity of acceptance and widely manifested good will are pleasant comforts when a national administration first takes office and prances through what sentimental Washingtonians like to call "the honeymoon." These shining moments usually are brief. The sheen of a new President clouds faster than the luster of carnival booth copper.

And with Kennedy & Company, the de-haloing process was speeded appreciably by a series of international crises from which he has not been free since the moment of his inauguration.

Current criticism of President Kennedy runs on several tracks. And the fault-finding by friends and Democrats (sometimes there is a difference) is more surprising and consequently more interesting than traditional denunciations by the political opposition.

Some of those heretofore regarded as quite sympathetic to Mr. Kennedy's aims, if not always his

performance, have been a bit stern in recent appraisals. Scan these samples:

"He and Mrs. Kennedy are not using a tithe of the tremendous reservoir of good will they enjoy in the country. Television appearances do not take the place of personal contact; the voters like to see the man they voted for and his wife, too. Perhaps no one will have the nerve to discuss this with him but it is a commonplace of backstage conversation."—Doris Fleenon in the Washington *Evening Star*, the New York *Post* and other newspapers.

"It is this sense of confidence, even exuberance in adversity that is missing today in Washington, not because Kennedy himself is depressed or pessimistic and certainly not because he does not have the personal qualities or the staff to do the job, but because



TAMES (N.Y. TIMES)  
*Deliberative approach to public statements makes President seem overcautious in answering critics*

he simply will not grapple with the philosophic and educational responsibilities of the presidency."—James Reston in the New York *Times*, the Arkansas *Gazette* and other newspapers.

And recently, the *Wall Street Journal*, certainly no administration journal but nonetheless objective,

Merriman Smith is the White House reporter for United Press International.

## TRENDS: WASHINGTON MOOD

printed a detailed survey of current Washington opinion under the heading, "DISILLUSIONED CAPITAL." With its relish tray of "expert" analysis, the *Journal* offered separate editorial comment which said in part:

"President Eisenhower could give the country eight years of peace if not tranquility, and of prosperity if not a millennium, yet seem a failure to men in academic halls and to public commentators because what he did was difficult to articulate. President Kennedy, on the other hand, is suffering from too much articulation by his friends and supporters."

These critical excerpts are cited as examples of middle-ground or even friendly criticism as opposed to conventional, politically oriented blasts which sometimes in their repetitive stridence lose effectiveness except among dyed-in-the-ballot partisans. It is undeniable; it is being almost politically antiseptic to report that the New Frontier now is being shelled by cannon pointed only a few months ago at the enemy.

Miss Fleeson touched her typewriter to a sore spot on the Frontier. President Kennedy still commands tremendous personal popularity, but this is the sort of quality a President must re-fuel. The current President makes a strikingly handsome physical appearance. In person, his voice is more dramatic and commanding than when he copes almost legalistically with press conference questions on television.

In short, he's powerful medicine for the public in person. But aside from some recent appearances in the Southwest and West—brief, controlled appearances at that—the President has been so preoccupied with Washington desk work and deadly serious meetings in the Cabinet Room that many suggested outside chores have been brushed aside as irksome time-consumers.

As for Miss Fleeson's suggestion that Jacqueline Kennedy might help by tapping her own great reservoir of popularity, the gracious, attractive and cultured First Lady has indicated no proclivity or taste for political elbow-rubbing. More important to the point of this particular sermonette, she plainly does not like being on display. Mrs. Kennedy makes no effort to disguise what she is—the well mannered product of cultured rearing. She could no more throw her heart into good-for-politics bake sales than Mrs. Bess Truman could water ski.

As for Mr. Reston's observation and the critique of the *Wall Street Journal*, it is true that during the early autumn President Kennedy seemed to be growing increasingly cautious, even sparse in his frontal contacts with the public. Unmistakably there was yearning in some areas of the Democratic party for "give-'em-hell" reaction by the White House to the bombast of Soviet Premier Nikita S. Khrushchev, the verbal slaps and belittling gibes of General Eisenhower.

Omnivorous reader, retentive viewer of news and public affairs programs on television and an aggres-

sive political competitor, the President is fully aware of the more important, responsible criticism of his own performance and that of his Administration.

President Kennedy, however, is pacing himself for a long pull, at home and abroad. There are times when he must fight an impulse to slug back. With the international situation so stormy, he wants the American boat rocked as little as possible.

He has an aversion, even a high degree of sensitivity, to anything smacking of precipitate action or quick public statements made without benefit of exhaustive research. This sometimes makes him seem slower and less responsive than he actually is. Furthermore, what may be a soberly deliberative attitude on Mr. Kennedy's part may be yanked out of perspective by his best buddies, by what the *Wall Street Journal* called "too much articulation by his friends and supporters."

It has long been a sad Washington truth that clamoring, ambitious friends and vain associates can cause a President much more trouble than some of his avowed enemies. After all, President Kennedy can be fairly certain of what Senator Dirksen or Representative Halleck will say, but he cannot make the same sure-footed forecast about a few talky administration officials who delight in spilling theoretically inside policy to prove their proximity to the throne.

The name of this particular parlor game is "I Know J.F.K. Better Than You Do." A rather sad game, too, because, if the play becomes too spirited, the country can suffer.

There are other unfortunate aspects in this business of "too much articulation" by those who fashion themselves as principal protectors. There seems to be a growing tendency among certain types of Kennedy friends and supporters to equate any criticism of their leader with creeping Nixonism, galloping Goldwaterism or a desire to be-Birch the believer.

The next step beyond this sort of foolish counter-criticism is to decry publication of anything but the cheers. It becomes frightfully easy to dismiss the unpleasant as unfounded. Then there is trouble.

Cries of censorship and suppression ring out, often with more emotion than foundation. Political charges and countercharges pyramid until they topple beneath the weight of exaggeration.

Somewhere along this dismal line, offender and offended go goat-hunting and invariably end up with their sights on The Press, a generic term used to denote virtually all printed material save the Bible and collected works of Jack Paar.

Fortunately for the country, the President has been standing clear of the more foamy emotional baths. It may be that in this caution, President Kennedy seems less forceful, less demonstrative of leadership and less inclined to spade-calling than some of his friends prefer. Perhaps, too, in this beginning winter, he sees dimensions of the battleground with much greater clarity than can be expected of the foot soldiers, no matter how loyal and willing they may be.



# Europe prospers under policies Washington would abandon

BY FELIX MORLEY

MANY COMPARISONS are made between the rapidly solidifying economy of the European Common Market and that which the Constitution secured for this country by prohibiting internal tariff barriers. But one parallel, now working strongly to Europe's advantage, has escaped attention. Probably that is because one must turn back the pages of history to find it.

In the United States, prior to the present century, very little control over business was exercised by the central government. Washington did not concern itself with wage rates, with working conditions or with welfare generally. Federal taxes were virtually nonexistent. The various state governments, to be sure, had regulatory laws. But when their usually modest provisions were observed, employers were free to operate and cooperate, across state lines, with a minimum of official inspection and control.

Whether this freedom was good or bad, from the over-all social viewpoint, is an issue that need not detain us here. The indisputable point is that the absence of restrictive government permitted and encouraged a rapid growth of the American economy, under the constant stimulus of private enterprise. It is a similar absence of centralized government which is now stimulating the rapid growth of the economy of a part of Western Europe.

That growth has blossomed during the five years since the drafting of the treaties establishing the European Economic Community, or Common Market as it is more usually called. Attention naturally concentrates on the unification actually being secured by this tremendous development. Even the most casual traveler can see for himself that the boundaries between the participating countries are losing their historic importance. Customs officials no longer bother to inspect his baggage when he enters Germany from France, or vice versa. Why should they, when all tariffs among the "Inner Six" are now in process of elimination?

But the erasure of these bloodstained frontiers is itself so striking that one tends to overlook another European phenomenon which, for Americans, is even more noteworthy. The integration that is taking place, of France, Italy, West Germany, Belgium, Holland and Luxembourg, is an economic and not a political union. No elaborate bureaucracy has been set up to direct and control the process of unification. No superstate is being created to dominate the cooperating national governments, as Washington today dominates the policies of every state in our Union.

The EEC, of course, has some political machinery. Its executive is a permanent Council of Ministers, empowered to make the basic treaty agreements effective and cleverly designed so that no single government among the Six can exercise a veto power.



Europe's growing unification under Common Market is ending the need for customs inspection at borders

This Council has the services of a small and admirably nonpolitical Secretariat. There is also a "Consultative Assembly" whose members are chosen by the six national parliaments, from their own memberships in proportion to party representations there. The modest expenses of this Common Market organ-



## TRENDS: STATE OF THE NATION

ization are met by annual grants requested in set proportions from these national parliaments.

This skeletonized organization obviously does not create anything that can be called a government. What it establishes is a limited league of independent nations, designed to promote the economic integration of its members in a manner defined by treaties which all six have accepted. In fulfilling this function, however, the organization is actually exercising great influence on its member governments.

The reason for that is simply the commercial success of the undertaking. It is now just three years since the EEC began to cut tariffs, according to pre-arranged schedules, among its members. During that period the volume of trade among these six countries has increased by more than 40 per cent. No participating government is going to impede a development so promising for its nationals, merely to demonstrate that it has the sovereign right to do so.

The EEC is destined to receive close attention from American business, both as a competitor with steadily increasing efficiency and as a prosperous market in which the demand for our products is strong and becoming stronger. The development deserves consideration, also, by all who want arguments to defend free enterprise. There is a strong tendency, especially in our colleges, to argue that business needs more and more governmental direction. Yet simultaneously we see business in Europe making enormous strides with the encouragement of an agency that devotes itself entirely to removing official restrictions on trade, instead of adding to them.

It is especially interesting that this development is taking place in countries where socialism was, prior to the Common Market, politically powerful. These socialist parties keep the name, but not the Marxist ideology. Nationalization of industry, for better distribution of income, has few advocates in the EEC today. The rank and file of labor is far too pleased with the beneficent results of internationalization, as promoted by the cooperation of hundreds of individual companies. In Britain, significantly, the major opposition to joining the Common Market comes from the Labour Party, which at its recent annual conference warned that one result would be to undermine the strength of socialism, "as on the Continent."

Although the Common Market has been pronouncedly nonpolitical to date, it does not necessarily follow that it will so continue. With the British application for membership, proof though that is of EEC success, will come pressures that may change the character of the organization.

The EEC was established after NATO. That military alliance, with the United States and Canada as well as most of Western Europe as members, was functioning before the drafting of the treaties that launched the Common Market. The latter was in part promoted as an economic integration within NATO, which could

be expected to make NATO stronger. There was no anticipation of a possible rivalry between the major political alliance and the minor economic union.

That would still be the case if Great Britain, a charter member of NATO, were now the only country seeking to join the Common Market. But along with Great Britain, other members of the European Free Trade Association are now knocking on the Common Market door. The design of EFTA, which was intended to lower trade barriers among its members without unifying their external tariffs, proved ineffective as compared with the dramatic commercial gains rung up by the greater unification of EEC. The rate of economic growth among the Inner Six has been running nearly double that achieved by the Outer Seven.

Included in the EFTA membership, however, are three important trading nations—Austria, Sweden and Switzerland—which are not members of NATO and have no intention of abandoning their policies of neutrality in order to join. These three governments, after conferring together, on Oct. 19 issued a joint statement asserting that "... neutrality does not constitute an obstacle to their participation, through association in appropriate form, in the economic integration of Europe. . . ."

Nevertheless it is apparent that the enlargement of the Common Market, and especially its enlargement by the addition of neutral members, will bring to the fore a novel and difficult issue. That is the relationship of NATO, as a political alliance directed against the Soviet bloc, with EEC, as an economic combination with members conscious of the importance of their trade with this bloc. Last year, for instance, 15 per cent of all Austrian exports passed through the iron curtain. With their increased productive capacity the Common Market countries are openly anxious to cultivate the huge potential trading area of Soviet Russia.

The official American attitude toward EEC has so far been pronouncedly friendly. That is likely to remain the case unless EEC should begin to move counter to the policies of NATO, which has become a bulwark of our foreign policy. It should be recorded, however, that many Europeans, regardless of nationality, see a fissure between NATO and the Common Market as a sure eventuality, given indefinite continuation of the cold war. Western Europe, it is asserted, cannot be unified politically with the United States and Canada if its eventual economic unification is to be strictly continental.

For the time being, however, the dual trend may be expected to continue, with a consequence of great importance for all who wish to see less governmental intervention. In order to avoid any issue with NATO the EEC will continue to encourage voluntary, as opposed to directed, commercial cooperation. And the results of the free-market response to this liberation have already been spectacular throughout the Common Market area. Among them is the fact that socialism, as distinct from hard-core communism, has ceased to be influential wherever the productive power of free enterprise has been released.

# Union influence spreads through government

Business pays for political  
rewards to organized labor

ORGANIZED LABOR is reaping its reward for helping elect President Kennedy, and business is paying for much of it.

Developments during the Administration's first year fall into four categories:

- ▶ New rules for applying labor-management laws which employers feel are biased in favor of unions to the detriment of business, non-union workers and consumers.
- ▶ New laws which the Administration helped enact and others it will push in the next session of Congress. Efforts will be made to weaken the Taft-Hartley labor law and regulate pension and welfare funds which are financed for the most part by employers.
- ▶ White House intervention in labor disputes—quicker, broader, and more often than ever before.
- ▶ Filling high government offices with the largest number of union officials and adherents in

history. They have been placed in the Departments of Commerce, State and Interior; the Office of Emergency Planning, and the Housing and Home Finance Agency, as well as in agencies concerned with labor and labor-management problems.

## **Applying laws**

How a law is applied can be as important as how it is written. Frequent complaints are heard that Kennedy appointees responsible for administering the Taft-Hartley and various minimum wage laws are leaning toward unions.

This seems most evident at the National Labor Relations Board where a series of Taft-Hartley policy-making decisions which unions consider objectionable are being reconsidered and changed in favor of unions.

Most involve procedures for holding representation elections, picketing, secondary boycotts, compulsory union membership, and free speech for employers.

Example of the switch in free speech: What previously was considered to be an employer's prediction of what may happen to his business and jobs in the event he has to deal with a union is now construed as a threat which violates the Taft-Hartley law.

The switching began after President Kennedy appointed two new members to the five-

## Union influence spreads through government *continued*

man Board—Chairman Frank W. McCulloch and Gerald A. Brown of San Francisco, a member of the NLRB staff since the Wagner Act days of 1942.

Mr. McCulloch, administrative assistant to Sen. Paul Douglas of Illinois when appointed, is a former Chicago attorney and director of the Labor Education Division of Roosevelt University.

A former member of the Teachers Union and secretary of the Illinois Workers Alliance, Mr. McCulloch once sought nomination for the United States Senate on the ticket of the Illinois Labor Party.

He has suggested in speeches that the Board should get tougher with repeated violators. Although Mr. McCulloch says he aims at both employer and union violators, the new penalties he suggests would hit employers mostly. For example, he suggests more liberal back pay for employees found to be discharged unlawfully. He would also force an employer "to make reasonable counterproposals to reasonable union demands." Question: Who's going to decide what's reasonable?

Chairman McCulloch and Mr. Brown have aligned themselves with a third member, John H. Fanning, a Democrat appointed by President Eisenhower in 1957, to comprise what observers consider to be a pronoun majority.

The other two Board members, both Republicans, are former Chairman Boyd Leedom, who was demoted with Mr. McCulloch's appointment, and Philip Ray Rodgers, who served on the staff of the Senate Labor Committee under Sen. Robert A. Taft, co-author of the Taft-Hartley law. Mr. Leedom was on the South Dakota Supreme Court when appointed to the Board in 1955.

During the Eisenhower Administration Mr. Leedom and Mr. Rodgers usually voted the same way and were able to put together a majority with help from other Eisenhower appointees, excluding Mr. Fanning.

Now, many of the decisions and policies to which Mr. Fanning dissented are being reversed through reconsideration of previous decisions or the setting of new policies in new cases.

Changing the rules when an Administration changes is not new. About 30 were changed after President Eisenhower's appointees gained control. At that time, however, it was agreed that any changes would come only through new decisions in new cases. The Board did not reconsider, and reverse, previous decisions, as is now being done.

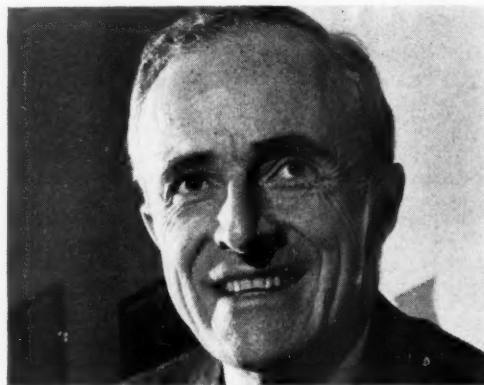
Conservatives are citing a recent personnel action as additional evidence that the present majority wants to favor unions.

The Board has appointed about 10 new trial ex-

**Businessmen feel that new heads of agencies dealing with labor-management affairs favor unions**



Secretary Goldberg, former union attorney, makes wage rulings and influences policies



NLRB Chairman McCulloch had labor union background, wants stiffer employer penalties

aminers, but refused to appoint Charles Ryan, who had the highest examination grade, had served the NLRB 20 years as a member of its legal staff and director of regional offices, and was at the time on the personal staff of Member Leedom.

Apparent reason for refusing to appoint Mr. Ryan: He was counsel to the House Labor Committee under Chairman Graham A. Barden of North Carolina, a conservative Democrat considered unfriendly by unions.

The NLRB will lean even more toward unions if it follows recommendations of a majority of a House Labor Subcommittee headed by Rep. Roman C. Pucinski, former Chicago newspaper reporter and member of the American Newspaper Guild.

Kennedy Administration is helping unions by frequent intervention in disputes, setting up commissions and giving labor a bigger voice in government by appointments such as these



Assistant to Secretary of Commerce, Hyman H. Bookbinder, was lobbyist for AFL-CIO



Deputy Director of Federal Housing Agency, Jack T. Conway, was aid to Walter Reuther



Gordon Chapman, Assistant to Secretary of State, came from government workers' union



Peter Henle, Assistant Commissioner of BLS, was No. 2 economist of AFL-CIO

After a subcommittee investigation earlier this year, the majority concluded that the NLRB was not being tough enough with employers. They recommended, among other things, that the Board issue more injunctions against employers, that an employer be required to assist a union in mailing union views to employees who have received the employer's views by mail, and that use of "community pressure" in a labor dispute be referred to the Department of Justice for possible action under the civil rights laws.

A subcommittee minority of Rep. Clare E. Hoffman of Michigan and Rep. John M. Ashbrook of Ohio accused the present NLRB members of having a long-range objective of repealing or emasculating the Taft-Hartley law, and setting the stage for

this through changes in policy and interpretation.

Complaints of union favoritism are also heard with respect to application of various minimum wage laws by the Department of Labor.

Examples are interpretations of the new law, which raised the minimum to \$1.15 an hour for previously covered employees, extended coverage to certain retail and other employees, and provided for payment of at least \$1 an hour to them.

The new coverage of retail employees exempts students. But "students" has been interpreted to include only those who are not older than 18 and have not graduated from high school. Furthermore, stores may not employ more exempt students than they previously employed, or not (continued on page 46)



# SURVIVAL PLANS YOUR COMPANY CAN USE

Experts offer suggestions, examples of practical steps you can take now

**YOUR COMPANY** can greatly improve its chance of surviving a nuclear attack by taking reasonable precautions now.

No one can give you a formula that will insure that your company will survive. Many of the effects of multi-megaton weapons are unknown.

Nevertheless, there are practical steps—short of such drastic action as building plants underground—that any business can take to help meet its responsibility in the master plan for national survival.

That responsibility is “planning and executing measures designed to assure the continued functioning, or rapid restoration to functioning, of the essential elements of the national economy.”

Each company must work out its own plans for industrial defense. What is feasible and desirable for one may not make sense for another. Listed here, as a guide to management thinking, are 15 practical suggestions from Virgil Couch, Industry Director of the Defense Department's Office of Civil Defense.

Many of these recommendations have already been put into effect by leading U. S. business organizations.

“The notion that hard-headed businessmen look upon civil defense as a boondoggle is false,” says Mr. Couch. “Top officials in many of the nation's best-managed corporations are giving high priority to this program because they are convinced it is a good investment. I would say that industry right now is the best prepared nongovernment segment of American life.”

But much remains to be done. For every corporation that has begun to take effective action, probably at least two others remain totally unprepared.

Some managers have been stunned into inactivity by the mistaken belief that a nuclear attack would inevitably result in near-total destruction of life and property. They take the fatalistic attitude that “we're in the middle of a prime target zone and would surely be wiped out in the first assault.”

Steuart L. Pittman, Assistant Secretary of Defense for Civil Defense, calls this the “dead duck complex.” He says it is absolutely unrealistic.

“No one can predict in advance what the attack

pattern might be,” says Mr. Pittman. “It is likely, however, that military targets, such as missile sites and Strategic Air Command bases, would be the priority aiming points. Big cities and industrial centers might be hit in the first wave. Or they might be deliberately spared to serve as pawns in bargaining for a quick truce. To assume that any given city or industrial plant would sustain a direct hit by a multi-megaton bomb is irresponsibly pessimistic.

“Businessmen do not proceed in other aspects of long-range planning on the assumption that the worst possible event will certainly occur. They weigh all of the possibilities and try to prepare for any contingency.”

Mr. Couch's recommendations for industry fall into three broad categories:

- First are measures which can be taken to minimize loss of life and property and to insure the quickest possible restoration of production after an attack.
- Second are steps which should be taken to preserve the corporate structure.
- Third are steps that a company may take, beyond the work place, to contribute to the preparedness of the community and the nation.

## **I—Protecting life and property**

1. Assign specific responsibility for disaster planning to a single individual at a fairly high level of management. Some corporations have created a new executive office of civil defense coordinator. Many have assigned the job to their regular industrial security officers. Jones & Laughlin placed its extensive program under the vice president of production.

Organizational preparations should also include the designation of industrial defense coordinators for each plant or branch, and the creation, at both corporate and plant levels, of advisory committees representing the various departments.

Managers assigned to this function should establish immediate, close liaison with local and state civil defense directors, and with the national Office of Civil Defense at Battle Creek, Mich. Mr. Couch



says he will be glad to provide advice and assistance to any company that requests it. A special five-day course for business executives assigned to industrial defense planning is conducted periodically at Battle Creek. There is no charge for tuition. You can obtain the dates and make arrangements for attendance through your local or state civil defense offices.

2. Organize and train employees for self-help in an emergency. Most companies already have the framework of an effective disaster control organization in their existing fire brigades, guard services, rescue teams and first-aid services. These can be expanded by training other workers to perform these tasks in case of disaster.

Before you begin a training program, however, it's wise to make an inventory of hidden abilities among your personnel. The Chase-Manhattan Bank in New York asked its 15,000 employees to fill out simple questionnaires and turned up a vast number of tellers, clerks and runners who had experience as nurse's aides, hospital corpsmen in the armed forces, volunteer firemen, auxiliary policemen, and so on.

"We were amazed," says Vice President Frank J. Keller, "to find that our civil defense organization could be staffed with a minimum training program."

One needed unit which you'll probably have to

organize and train from scratch is a team of radiological monitors. The Office of Civil Defense is prepared to help you with this training, without charge.

3. Join—or if necessary, take the lead in forming—a mutual aid association of industrial plants in your area. Such volunteer cooperative groups are already functioning in more than a dozen areas, including Houston, Tex., Baton Rouge, La., Worcester, Mass., Marietta, O., and the Kanawha valley of West Virginia. A mutual aid association is simply a group of industrial plants joined by a reciprocal agreement to help one another in an emergency. All that's needed is to establish rapid, reliable communications between the participating plants, and to let every member know what every other member is prepared to provide in the way of trained manpower, fire-fighting equipment, ambulances, and so on.

The plants which are already participating in such mutual aid pacts have found them of tremendous value in coping with major fires, explosions and other peacetime disasters. This is just one of many instances in which civil defense preparations can pay immediate dividends, which make them a good investment even if they are never needed for the ultimate catastrophe of nuclear attack.

4. Establish a plant *(continued on page 66)*



Preparedness is a good investment, says Virgil Couch, Industry Director of the Defense Department's Office Of Civil Defense

## HOW TO HELP YOUR BUSINESS SURVIVE

1. Take steps to minimize loss of life and property and to insure the quickest possible restoration of production after an attack
2. Plan measures to preserve your company's structure by setting up lines of succession, alternate headquarters, duplicate records
3. Promote community and national survival by urging employees to make preparations at home, keeping public informed of activities

# HOW CONGRESSMEN

## International tension and domestic politics will affect Capitol decisions

THE BUSINESS EXECUTIVE and his congressman sped back along the road toward town. They had just toured the businessman's new plant in Kansas City's outskirts.

Breaking a moment's silence, A. N. Brunson, president of Brunson Instrument Company, asked pointedly: "Is Switzerland really so important to the U. S.?" Swiss precision instruments are major competition for Mr. Brunson.

The congressman, Missouri's Richard Bolling, then began a thoughtful reply to a question that in one form or another will be asked many times about many foreign nations in the months ahead when Congress will decide the fate of legislation to extend the President's power to make trade agreements around the globe. Reciprocal trade could be the most fiercely fought issue to come before the second session of the Eighty-seventh Congress.

In another part of the country, in an office on the second floor of the new Post Office in Green Bay, Wisc., another congressman and constituent were talking.

"Our foreign policy is just not as decisive or as forceful as it should be," complained Arthur Wadzinski, who is both high school teacher and small businessman. His congressman, John W. Byrnes, leaned forward to discuss this issue. U. S. foreign policy is another high-tension controversy uppermost in the minds of businessmen and other citizens throughout the nation today.

Although the executive, rather than the legislative branch, is charged with foreign policy-making, the subject surely will be a source of congressional concern and argument in 1962.

Representative Bolling, a Kansas City Democrat, and Representative Byrnes, a Green Bay Republican, like their fellow members of Congress elsewhere, have been feeling the public's pulse on a variety of current issues. They have been exchanging views, listening to gripes, explaining their actions, questioning, warning, assuring. They are preparing themselves and their constituents for what's ahead when Congress returns to Washington in January.

Though foreign policy and world trade are of paramount interest today, a number of domestic is-



Rep. Richard Bolling of Kansas City, Mo., is an articulate spokesman for President Kennedy's Administration on a broad range of national legislative issues

# SEE NEXT YEAR'S ISSUES



PHOTOS: ARCHE LIEBERMAN (BLACK STY.)

Rep. John Byrnes of Green Bay, Wis., the able chairman of the Republican Policy Committee of the House, represents the conservative political philosophy

sues also will touch off battles during the 1962 election-year session.

The lawmakers will deal with job retraining, medical care for the aged, taxes, civil defense, urban affairs, school aid, and labor laws.

The Kennedy Administration program, much of which squeaked through this year, must traverse rough terrain in 1962. Democratic leadership will be weakened by the absence of the late House Speaker Sam Rayburn. The President isn't likely to ask again for proposals flatly rejected in the first session. Election-year elbowing and war worries will intensify the Washington battles.

To give you some idea of the mood of the nation, how congressmen are sampling and affecting this mood and what will happen when Congress convenes again, a *NATION'S BUSINESS* editor traveled with Representatives Byrnes and Bolling, two representative lawmakers, in action in their home districts.

## **Congressional leaders**

Richard Bolling, learned, articulate, coolly poised and handsome, has been a member of the House of Representatives for 13 years. He is a former teacher.

As a right-hand man to House Speaker Sam Rayburn, Mr. Bolling has acquired a high degree of legislative skill and judgment. At 45—young by congressional standards—he has had broad experience as a member of the House Rules Committee, through which almost all legislation must eventually pass. He is a top contender for leadership in the house. He is a liberal.

John Byrnes, keen-minded, incisive and popular, is the vigorous representative of Wisconsin's Eighth Congressional District, which includes an expanse of northeast Wisconsin farmland and lakeside towns.

He is chairman of the Republican Policy Committee of the House and a member of the Ways and Means Committee. Mr. Byrnes is a lawyer with legislative leadership experience on both the state and national levels. A member of the House since 1944, he is a conservative.

Both Messrs. Bolling and Byrnes are perceptive, respected and practical spokesmen for their political philosophies.

Each man blends his constituents', his District's and the nation's interests with his own knowledge to form the convictions that guide his views and actions.

As a member of the party in control of the White House and Congress, Representative Bolling fre-

Mr. Bolling



Mr. Byrnes



## HOW CONGRESSMEN SEE NEXT YEAR'S ISSUES

*continued*

quently defends and praises the Kennedy Administration and 1961 congressional accomplishments. Representative Byrnes, as a member of the minority party, is on the offensive and is often critical of the current Administration's handling of foreign and domestic affairs. Naturally, these contrasting political roles form the context for much of their thinking and speech-making.

### **Constituent concern**

In answering A. N. Brunson's question about the importance of Switzerland that day in Kansas City, Mr. Bolling could see the possible need for protecting Mr. Brunson's defense capabilities as a maker of instruments for military use, particularly since the Brunson plant has been dug out of a limestone cliff and thus is bombproof. But Mr. Bolling saw, too, the need for keeping strong ties with Switzerland, a banking nation that influences world finance and is a source of international intelligence as well as a supplier and customer of future foreign trade.

Congress must extend the Reciprocal Trade Agreements Act by next June 30 or it will die. The Kennedy Administration wants to liberalize the Act to give the President more power to reduce tariffs on goods coming into the U. S. and in turn obtain lower trade barriers in foreign lands. But many lawmakers whose districts have been hard hit by competition from foreign imports will demand higher tariffs and quotas. The growth in protectionist sentiment promises to give Trade Act supporters the stiffest opposition in years.

But as Mr. Bolling notes, the Administration is already studying its strategy and building its case, and the 1962 legislative agenda, since it is expected to be much lighter than that in 1961, will allow more time for selling Congress on trade agreements extension and perhaps liberalization.

Some Kansas City businessmen are more concerned about other public issues that will be fought over when Congress returns. For a sample of prime in-

terest areas, sit in on a recent luncheon meeting of Mr. Bolling with business executives:

"I realize it is difficult to decide here in Kansas City whether foreign affairs are mishandled," declared an insurance man, "but I think Russia is perpetrating the biggest bluff in history. I think our reputation is at a low ebb. We act as if we should apologize for being Americans. We always seem on the run, on the defensive, and we have to buy friends. The other nations don't love or respect us."

Another businessman added: "Russia and other countries insult us to our face while we pay 80 per cent of the United Nations' costs and let them use it as a sounding board. If we acted tough, the Russians would back off as they have before. But we talk like Churchill and act like Chamberlain."

Mr. Bolling answered:

"Some people want to invade Cuba or tell Khrushchev where to go, but most people realize we are in a difficult situation that requires caution.

"I spent five years on a congressional committee listening to qualified people talk about the Soviet economy, which has only about 45 per cent of the productive capacity of the U. S. But they have about the same level of defense effort and their ground forces are more modernized. Russia isn't bluffing. Their objective clearly is to take over the world.

"When Khrushchev was in America and saw so many of our autos on the roads with only the driver, he considered this wasteful. But this is the way we Americans want it. Our whole way of thinking and acting is different from Russia's.

"It is the nature of things that they are the aggressor and the initiator. We could wipe out Castro. But if we act rashly, we might lose the whole European industrial complex. Our foreign relations can't be oversimplified. The U. S. is the most powerful nation on earth, but we can't tell the rest of the world what to do. Some people in the world love or respect us. Some don't. Throughout history, few strong countries were loved. What we're (continued on page 70)



# APPRAISAL OF KEY ISSUES BEFORE CONGRESS IN 1962

	<b>BOLLING</b>	<b>BYRNES</b>
<b>SPENDING</b>	"We should not abandon or cut back spending on our non-defense programs. If absolutely necessary, we should raise taxes to meet emergency revenue needs."	"We can't spend ourselves into bankruptcy on non-defense programs. We must set up priorities. I think new spending will face increasing opposition in the House."
<b>CIVIL DEFENSE</b>	"I get questions about fallout shelters everywhere I go. I've wanted civil defense and plant dispersal for years. We'll surely deal with it in Congress next year."	"There's tremendous interest in fallout shelters. I think Congress will begin to develop plans for protection possibly with incentives, such as tax deductions for shelter costs."
<b>TRADE AGREEMENTS</b>	"It will be a hard fight, but we hope effective improvements can be made so the President can increase our foreign trade."	"The Administration will ask for a lot to make room for compromise. I hope we'll find a mechanism to assure emergency protection for industry."
<b>MEDICAL CARE FOR AGED</b>	"Medical care for the aged under social security will be enacted if it gets out of committee. It's the most popular issue in the domestic field. In 10 years it will look conservative."	"I think we can keep it in committee. If passed, it couldn't be limited to those over 65. It would become universal, socialized medicine that could hurt health and social security."
<b>DEFENSE POLICY</b>	"We've increased defense spending by 10 per cent. But there is still a gap to be filled, particularly in conventional weapons."	"We can't match the Reds man for man. I worry that we'll give the impression we will fight them on their terms. It's a mistake to shift emphasis from maximum retaliation to conventional weapons."
<b>RETRAINING UNEMPLOYED</b>	"A program of retraining and compensation for the unemployed will be passed early in the session. Youth training will be harder to pass."	"Retraining for the unemployed won't be particularly controversial. It will undoubtedly be enacted."
<b>TAXES</b>	"We'll probably close a few loopholes next year. To have effective reform, we'd have to make rates more progressive, cut the highest rates and close more loopholes."	"There will be no tax increase unless we get into war. . . . Some revisions will probably come next year in treatment of expense accounts, cooperatives, certain insurance companies and foreign income."
<b>EDUCATION</b>	"I think a new approach may be tried for federal aid to school construction. There will be a real try for loans and grants for higher education facilities too, both public and private."	"Congress should develop a program for higher education. Federal government has historically played a part in higher education, where there's no problem of local control."
<b>FOREIGN AID</b>	"I would not cut out foreign aid for any country, whatever its politics happened to be, if this aid would promote the interests of the U. S."	"We should tell other nations they're either for us or against us. If neutrals don't change attitudes, foreign aid appropriations could be slashed."
<b>HOUSING</b>	"Chances are fair that a new Department of Urban Affairs and Housing will be established next year."	"This would be dangerous because it would move more and more local problems to Washington, bypassing the state which is empowered to handle them."





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## QUALITIES OF VICTORY • PART 2

Our heritage has given us the strengths to defy tyranny, conquer a continent, build a nation. In these qualities we find the power to win the cold war—or the hot. This is the second in a series of articles by nationally prominent men describing these qualities

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# MORALITY

BY DR. RALPH W. SOCKMAN

IN HIS Farewell Discourse, America's first President reminded his countrymen that religion and morality are indispensable in preserving our liberty.

General Washington asked: Where is

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The author, DR. RALPH W. SOCKMAN, is one of America's foremost clergymen. He has been pastor of Christ Church, Methodist (formerly the Madison Avenue Methodist Episcopal Church) since 1917.

His sermons from "The National Radio Pulpit" have inspired millions in the United States and Canada since this oldest Protestant Sunday radio broadcast began in 1928.

Dr. Sockman has written several best-selling books. He has been called the "Dean of the American Protestant Pulpit." He also is chaplain of New York University and director of the Hall of Fame for famous Americans on the campus of that University.

In this article for NATION'S BUSINESS, he reminds us of morality's vital part in our national character.

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the security for property, for reputation, for life, without moral integrity?

We may multiply our new laws and social controls until the taxes to pay for them reach back-breaking proportions. But this will not assure a sound society without the individual self-control and responsibility that characterize moral men.

Political graft, contract kickbacks, collusive price-fixing, farm overpayments, labor featherbedding, venal journalism, academic cribbing, televised quiz scandals are among the ominous reminders that we do not make ourselves good or keep ourselves free merely by passing laws or by killing off dictators abroad. America is more in danger from the weakening of our moral foundations than from the mounting missile stockpiles of our enemies.

Recently I saw a replica of the familiar handwritten Declaration of Independence and the signatures attached to it. I thought of the differences between the spirit of 1776 and the spirit of 1961. The signers of that document were risking their lives when (continued on page 76)

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PHOTO: COVELLO, BLACK STAR

# FORCES SHAPING BUSINESS FUTURE:

# RISING

Increasing costs, inflation, union power, taxes are other factors slowing nation's economic growth, says **Roger M. Blough**, chairman, board of directors, United States Steel Corporation, in this interview

THE LONG-RANGE OUTLOOK for American business, the next 10 to 30 years, is cloudy but with a chance of clearing skies.

This is the view of Roger M. Blough, chairman, board of directors of the United States Steel Corporation, expressed in this exclusive interview with *NATION'S BUSINESS*.

Major business problems, Mr. Blough believes, will be related to:

- ▶ Competition.
- ▶ Soaring costs.
- ▶ Inflation.
- ▶ Understanding the profit system.

Mr. Blough also discusses the outlook for profits, prices, economic growth, union power, collective bargaining, taxes, government policies and other issues of current importance to businessmen.

**Mr. Blough, what do you expect for business over the long term?**

I think the outlook is cloudy, with a chance of clearer skies.

I think that business has a chance of improving gradually over the next 10, 20, or 30 years.

**Will incentives for business increase?**

I would suggest that business doesn't need any additional incentives. Business supplies its own incentives.

The problem is how to overcome

the forces tending to retard business growth.

**Would you give some examples of these retarding forces?**

Yes—the tax policies of our government over the past 10 to 15 years are an old but good example.

I specifically include these years so that you won't feel my comment applies only to the policies of one political party.

Another serious retardant is the constant increase in costs—which deprives our nation of the opportunity of doing its best in world markets. Our employment costs have soared to such an extent that the nation is running the risk of becoming noncompetitive in too many fields.

This, in turn, has resulted in a great many government subsidies to support one activity or another—to the end that our nation is slowing down. Our ability to compete is severely impaired when we ought to be speeding up.

**Will these forces be overcome?**

I am naturally optimistic and therefore have high hopes.

**Will our rate of growth increase in coming years?**

It has a very good chance to. I have the belief—which some days is less strong than other days—that

people are beginning to understand this matter better. Understanding the conditions of growth, of course, will lead us to the ultimate achievement.

**What major business problems do you see ahead?**

The first, I would say, deals with competitive factors. These will vary widely between industries and in different countries.

Second would be the problems related to the constant increase in costs—which results from the ability of unions to exact annual wage increases that exceed the bounds of economic soundness. This is particularly true for American business.

A third major problem, as I see it, is inflation. This involves business problems related to government policies.

Another great problem for businessmen is the fact that a great many people do not recognize the source of their economic well being. To rephrase that, there is a widespread lack of understanding as to how things are produced, how work is accomplished, and the incentives involved. There is a critical shortage of knowledge about the nature of the profit system.

A fifth major problem, I believe, taking the world as a whole, is related to the type of competition



# WORLD COMPETITION

which business faces from government-operated facilities.

**You mention costs and wages. Aren't wages arrived at through collective bargaining?**

The idea of collective bargaining is all right. Having specialists represent employes in bargaining with employers is a good idea.

The problem arises in the scope of the bargaining units—where they encompass a number of competing companies and where, in many cases, they encompass competing industries.

The results are unsound and, I think, uneconomic.

This certainly has happened in the steel industry. From 1940 until our last contract employment costs rose at an annual rate of eight per cent—on a compounded basis.

**Weren't employers a party to the negotiations?**

Yes, but employers during that period endured a number of very severe strikes. The last one, as you know, was 116 days. These came about as a result of attempts to prevent uneconomic cost increases.

Management has certainly been a reluctant party to the results of negotiation. Management is trying to arrive at sound solutions. It is not easy.

**Should government do something about union power?**

I don't know that I can offer any  
(continued on page 74)

*Better understanding  
will ease problems,  
Mr. Blough believes*



JOE COVELLO—BLACK STAR

# A LOOK AHEAD by the staff of the

## Building rise to continue in '62

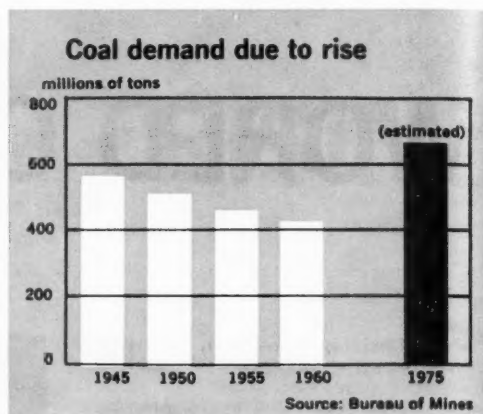
(Construction)

## Banking bills ready for action

(Credit and finance)

## Will Christmas sales hit record?

(Distribution)



### AGRICULTURE

The U. S. Department of Agriculture is counting on reduced production and continued heavy exports to whittle wheat stocks. If the prediction proves correct less of your tax money would be needed for storage and handling costs.

Producers must make a 10 per cent cut in 1962 wheat acreage to avoid a stiff penalty. Those who divert this acreage to approved conservation uses will be eligible for a higher support price plus diversion payments. Producers who elect to divert up to an additional 30 per cent will get a higher payment rate.

Assuming that producers will cut total wheat acreage by 19 per cent while increasing their yield by 10 per cent, the Department estimates that the 1962 crop will be 136 million bushels below this year.

The export demand for wheat is expected to continue heavy to meet deficits in Western Europe, North Africa and commitments under the Food-for-Peace program.

If the Department's estimates materialize, wheat stocks would be reduced about 175 million bushels in the next couple of years.

### CONSTRUCTION

The dollar volume of new construction will rise to a record level next year.

The total for 1962 probably will be around \$59 billion.

For comparison, the total was \$56.6 billion in 1959; then it

dropped off about \$1 billion in 1960. This year's total is expected to be approximately the same—or slightly higher—than the 1959 outlay, which is so far the peak year.

Significantly, the outlook for the construction industry as a whole is somewhat brighter than it is for some specific categories of new building. For example, the total expenditure for new construction this year is about three per cent higher than a year ago. But spending for new houses and alterations are below the year-ago level while other categories are up substantially. Those rising most include industrial and commercial buildings, schools and farm construction, as well as sewer and water systems.

### CREDIT & FINANCE

Finance industries can expect more legislation during the second session of Congress than during the first.

With many urgent bills taking precedence this year, most of the banking legislation measures went no further than committee.

After January, you can look for initial or further hearings on: federal charters for mutuals, credit disclosure, withholding on dividends and interest, government provision for secondary markets for industrial mortgages, extending the charter of the Export-Import Bank to aid in promoting exports, raising the ceiling on Small Business Administration loans to small business investment companies, and others.

Perhaps one of the first bills to receive the attention of the Senate Banking and Currency Committee will be that to require more detailed information on the cost of credit. Hearings which created a volume of 1,388 pages during the first session will be reopened.

### DISTRIBUTION

The big question facing merchants now is whether 1961's total Christmas sales will exceed, equal, or drop below last year's record \$22.2 billion. The answer lies with the unpredictable consumer.

Slow sales so far have centered in the auto, appliance, home furnishings and hardware categories. Yet, a recent spurt of spending in these lines lifts hopes that the public has shrugged off its wariness.

Other hints of a rosier yuletide:

1. People's after-tax income is nearly four per cent above 1960.
2. Consumer expenditures are averaging approximately four per cent above year-ago levels.
3. Personal savings average almost five per cent better than last year.
4. Employment is rising and unemployment has decreased slightly.
5. Twenty-six shopping days after Thanksgiving—the same number as last year.

### FOREIGN TRADE

Hearings on trade policy—expected to be one of next year's hottest issues—begin this month before a

# Chamber of Commerce of the United States

congressional subcommittee on foreign economic policy.

The Trade Agreements Act expires next June 30, unless Congress extends it.

No specific legislation has been offered, but the Administration is working on its proposal. George W. Ball, under secretary of state for economic affairs, has indicated it will call for across-the-board tariff negotiating authority to deal with the European Common Market.

A report of former Secretary of State Christian Herter and former Under Secretary William L. Clayton to the subcommittee calls for the United States to formulate "a trade partnership with the European Common Market" and take leadership in further expanding a free world economic community.

A second fundamental advocated by both the Administration and the Herter-Clayton report is a proposal for federal aid to help ease the impact of imports on companies or localities.

## GOVERNMENT SPENDING

As the federal budget for fiscal 1963 takes final form, Administration officials face some hard choices. The budget which the President will send Congress next month will be the first completely prepared under his direction. He has promised that it will be balanced and warned some programs must be cut.

This emphasis on frugality is in marked contrast to the atmosphere prevailing in the Administration earlier this year and will require extraordinary determination to slow down spending programs already set in motion.

Shortly after the President made known his concern over spending, several administration officials announced plans for reductions. The Defense Department planned to forego some extra money voted by Congress. The Veterans Administration announced a proposed cut in direct home loans to veterans and the Secretary of Health, Education and Welfare called for a retrenchment in the Public Health Service.

Congressional proponents of these programs immediately protested. They can be expected to scan the

1963 budget closely for possible further reductions in programs they favor.

## LABOR

Proposals for new federal spending to retrain the jobless will be pushed by the Administration when Congress convenes.

During the first session of the Eighty-seventh Congress, the Senate approved a bill authorizing appropriations up to \$655 million over the next four years to subsidize the living and schooling expenses of unemployed persons who qualify for government-sponsored vocational education courses. The bill would concentrate vast new powers in the Labor Department and the Department of Health, Education and Welfare.

A modified version of this bill calling for a two-year, \$300 million vocational training program was approved by the House Labor Committee but was not cleared by the Rules Committee.

Opponents of the bills emphasize that a lack of coordination within government has resulted in a hodgepodge of training programs which teach mainly obsolete and unneeded skills.

## NATURAL RESOURCES

The nation's coal-mining industry can look forward to an annual demand of 670 million tons a year by 1975, according to T. Reed Scollon of the U. S. Bureau of Mines. Production in 1960 was only about 434 million tons.

Most of the increased demand will result from expansion of the electric power industry.

Coal will provide the largest share of energy required to achieve an annual output of 1,772 billion kilowatt-hours of electricity—the estimate recently adopted by the Federal Power Commission for 1975. Coal used for power generation alone in 1975 may exceed last year's total production.

U. S. reserves of coal to meet this demand are ample, according to the U. S. Geological Survey. The estimated recoverable coal reserves of the U. S. totaled 830 billion tons as of Jan. 1, 1960.

## TAXATION

You can look for the House Ways and Means Committee to consider tax proposals made by the Administration last year before taking up any new proposals.

The Treasury staff has been studying changes in the existing code.

Congressional staff members have been working to produce acceptable recommendations on taxation of foreign income. Inasmuch as foreign income came under fire in the earlier Administration proposals, these recommendations may lead to legislation in 1962.

Major changes in tax law, however, are not likely before 1963.

A bill passed in 1959 and amended in the past session directs a major staff study of the taxation of interstate commerce. The report is due no later than July 1, 1962.

A House Judiciary Subcommittee on State Taxation of Interstate Commerce has ordered hearings this month. The Committee staff will distribute a questionnaire to representative businessmen. It is hoped that answers will provide a sound basis for change and improvement of the 1959 law.

## TRANSPORTATION

Government is under pressure to solve the problem of unauthorized for-hire transportation activities. The financial crisis facing the nation's common carriers—who must compete with the for-hire operators—adds urgency to the problem.

The crux of the question is who shall be regulated and who shall not. Most for-hire transportation is subject to regulation. Public convenience and necessity must be proved before one can enter the industry. He is then regulated as to rates and service. However, regulation by government can never work successfully unless the rules apply equally to all who engage in similar activities.

In solving the problem, government will have a dual responsibility of curtailing unauthorized for-hire transportation practices, while at the same time refraining from any rash acts which impinge on the freedom of businessmen to perform their own transportation service.

## Kennedy Administration accused of favoring unions in four ways

more than 10 per cent of present employment, whichever is smaller.

Complaints have been so strong about the administration of two laws requiring the payment of prevailing minimum wages for work on government contracts that the Chamber of Commerce of the United States has set up a special committee to study and try to cope with the problem.

In administering the Walsh-Healey Public Contracts Act covering wages on contracts for government supply and services, the Labor Department is said to have departed from precedents which have been in force since the law went into effect in the mid-1930's.

These include using wages actually paid instead of established wage rates in surveying prevailing minimum wage levels in an industry. The effect of this, in a period of declining employment when there are few newly hired who receive the lowest wage scale, is to raise the average to a higher and false level.

The Labor Department is also accused of union favoritism in administering the Davis-Bacon Act requiring payment of prevailing wages on construction for the federal government. This charge is not new. It was made under the Eisenhower regime, too.

The common complaint here is that the Labor Department, in determining the prevailing wages being paid in a locality for specific construction craft skills, usually accepts the union scale as the prevailing wage or takes the wages being paid some distance away instead of in the immediate locality. Under this law, contractors are commonly required to pay minimum wages between \$3 and \$5 an hour, and sometimes more than \$5 for operating engineers in some high-pay areas.

The Marine Corps recently complained that excessive minimum wages for the construction of 450 dwelling units at the Marine Corps School at Quantico, Va., increased the wage cost \$1 million and caused a switch in funds which resulted in inferior housing.

### Legislation

Labor's appraisal of President Kennedy's help on legislation is typified by this headline in *The*

*Machinist*, weekly newspaper of the International Association of Machinists: "First Kennedy Congress Started Fast, Slowed Down." In short, labor believes Congress did not come up to expectations. It is looking for more from the next session.

Labor credits the Administration for the minimum wage increase, temporary extension of unemployment compensation benefits, higher social security pensions, payments for dependent children of the unemployed, grants to so-called depressed areas, and a new housing program.

Labor is expecting the Kennedy Administration to push hard next session on six pieces of legislation which carried over from the first session. They are medical care for the aged under social security, aid to education, a retraining program for the chronically unemployed, a big public works program, minimum federal standards for unemployment compensation, and regulation of employee welfare and pension funds.

The President has indicated he will push hard to amend the national emergency provision of the Taft-Hartley law. His main objective is to by-pass the labor-hated 80-day injunction by permitting various alternatives, which he calls an "arsenal of weapons" for dealing with big strikes.

These would include the establishment of fact-finding boards which could make recommendations for settlement of labor-management disputes and the use of an 80-day cooling-off period instead of an injunction.

Labor would also like to have the Administration put some steam behind repeal of Section 14 (b) of the Taft-Hartley law which allows the states to pass right-to-work laws prohibiting compulsory union membership. Repeal of this section would kill right-to-work laws in 19 states. Although the Democrats are committed to repeal in their party platform, the Administration is not likely to push hard for this.

### White House intervention

Administration intervention in labor-management affairs has been most noticeable and most frequent through Secretary of Labor Arthur

J. Goldberg, although the President and his Council of Economic Advisers have taken part, too. A bigger government role was forecast by *NATION'S BUSINESS* earlier this year (See "White House Plans Wage-Price Intervention," February).

This intervention has come in different ways.

At the highest level and with the greatest potential for interference was the creation of a 21-member President's Advisory Committee on Labor-Management Policy. Secretary Goldberg had advocated such a body before his appointment to the Cabinet and while he was counsel to the AFL-CIO and the United Steelworkers of America.

The Labor Secretary and Secretary of Commerce Luther H. Hodges alternate as chairman of the body, which is composed of individuals from business, labor and the public.

The Committee's monthly meetings are held at the White House.

It is making studies and preparing recommendations which may influence government action and business decisions in five areas:

Wage-price relationships, collective bargaining, economic growth and unemployment, technological advance, and foreign competition.

Even before his advisory committee had expressed itself, President Kennedy drew conclusions on wages, prices and profits in asking the basic steel industry not to raise prices despite a new wage increase.

Other intervention has been more direct.

To reduce the number of strikes which were undermining vital missile and space programs—most of them the result of jurisdictional disputes between rival unions—the White House established a Missile Sites Labor Commission. It has 11 members from labor, management and the public and will try to settle disputes under a voluntary no-strike-no-lockout pledge similar to that during World War II. Subsidiary committees function at 20 missile bases.

Although missile-base strikes have diminished considerably in number, they are still slowing down our military and space effort.

In September, 1,136 man-days of work were lost because of strikes. Secretary Goldberg himself branded this as "too high in view of the critical importance to the nation of our missile and space programs."

Sen. John L. McClellan of Arkansas, whose Permanent Investigations Subcommittee revealed pay gouging, strikes and other union



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2. *Increase efficiency*
3. *Improve employee understanding*

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## UNION INFLUENCE

*continued*

practices which led to the creation of the Missile Sites Labor Commission, thinks the country cannot afford to rely on voluntary measures alone to maintain labor peace at missile sites.

He introduced a bill in the closing days of the past session to prohibit work stoppages at missile sites and other defense facilities and urged its passage at the next session. Senator McClellan specifically cited a strike at Ellsworth Air Force Base, S. Dak. which caused a month's delay in the Minuteman project.

Unions and the Administration likely will oppose the bill.

In two disputes where government boards already had acted, Secretary Goldberg and the White House intervened directly to give recalcitrant unions another chance to win their objectives.

In the strike against the reduction of New York tugboat crew sizes, the Secretary arranged for the issue to be reconsidered by the presidential commission currently studying working rules on railroads. The tugboat union had rejected recommendations for settlement previously issued by a presidential emergency board appointed under the Railway Labor Act.

Another commission was set up to consider the issues in last winter's airline strike involving a dispute between airline pilots and flight engineers over manning jet aircraft. A decision unacceptable to the flight engineers had been handed down by the National Mediation Board, also under the Railway Labor Act.

The most unusual White House intervention was in the wage dispute between the Metropolitan Opera and the Musicians Union. Secretary Goldberg entered the dispute at the instigation of President Kennedy, then took the unprecedented step of agreeing to serve as arbitrator and make a binding decision. Apparently aware of the potential consequences of such action, the Secretary announced that he was setting no precedent for other disputes.

That is easier said than done.

### Unionists in government

Secretary Goldberg heads the list of those with union connections who fill high government positions. An attorney, Mr. Goldberg formerly was counsel to the CIO and is credited with having done most to draft the merger agreement with the AFL

in 1955. He has been special counsel to the AFL-CIO and at the time of his appointment was counsel for the United Steelworkers and other unions.

Most of the unionists, naturally, hold positions in the Labor Department.

Assistant Secretary of Labor Jerry Holleman was president of the Texas AFL-CIO.

Assistant Secretary of Labor George L. P. Weaver was assistant to the president of the International Union of Electrical Workers.

Solicitor Charles Donahue was research director of the Plumbers Union.

Assistant Secretary of Labor Esther Peterson was a lobbyist for the AFL-CIO Industrial Union Department.

Deputy Director of the Bureau of Labor Statistics George Brown was assistant to AFL-CIO President George Meany.

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Twice in mobilization periods union men have quit federal posts to protest government policies.

During Korea, they walked off defense agencies, returned after being assured a greater voice.

Just before Pearl Harbor, CIO members quit the National Mediation Board to enforce their demands.

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Assistant Commissioner of Bureau of Labor Statistics Peter Henle was assistant director of the AFL-CIO Research Department.

These are other federal agencies with union men in key posts:

Housing and Home Finance Agency: Deputy Director Jack T. Conway, former chief aide and braintruster of Walter P. Reuther, president of the United Automobile Workers.

Commerce Department: Assistant to the Secretary Hyman H. Bookbinder, former legislative representative of AFL-CIO.

State Department: Special Assistant to the Secretary Gordon W. Chapman, former secretary-treasurer of the State, County and Municipal Employees Union.

Interior Department: Director, Office of Saline Water, Charles F. MacGowan, former international representative, Boilermakers Union.

Office of Emergency Planning: Deputy Director John E. Cosgrove, former assistant director of education, AFL-CIO.

Area Redevelopment Administration: Special Assistant to the Administrator Redmond H. Roche, Jr., former assistant counsel of the United Automobile Workers.

Unions naturally try to have a voice in all activities of government and at all levels. Few will quarrel with this objective if those who serve from organized labor, or from any other interest group, act in the public interest and not as special representatives or special pleaders.

Doubts are raised when officials in administrative agencies consider themselves to be representatives of special groups, as happened during the Korean emergency when union men walked off of all defense mobilization agencies at the call of union leaders seeking to put pressure on the government for a more effective labor voice in the mobilization program.

The difficulty faced by trade unionists who may try to serve objectively in government posts was recognized by AFL-CIO President George Meany when he commented that a union member in Congress was there "in a rather dual capacity."

"It is pretty hard for a man who has been a trade unionist all his life to divorce himself from his background. However, he was there as a congressman and, of course, also as a trade unionist."

A complaint voiced against the Administration is that all appointments to agencies dealing in labor and labor-management problems are cleared only with the Secretary of Labor, although business is as much involved and has as much at stake in the actions of the agencies involved as do the unions.

Under President Eisenhower, the Secretary of Commerce exercised a veto power over appointments to labor-management agencies proposed by the Secretary of Labor. Business sources say Secretary of Commerce Hodges has not sought the same privilege under President Kennedy. **END**

**REPRINTS** of "Union Influence Spreads Through Government" may be obtained for 15 cents a copy or \$10.15 per hundred postpaid from *Nation's Business*, 1615 H St. N.W., Washington 6, D. C.



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# 1962

## WHAT BUSINESSMEN EXPECT

Leaders in a cross section of major U.S. companies forecast trends that will affect next year's business

BUSINESS LEADERS today are—

- ▶ Cautiously optimistic about the economic outlook for 1962.
- ▶ Confident that we are not headed for a big war.
- ▶ Irritated by the business policies of the Kennedy Administration.
- ▶ Perplexed over the problem of maintaining satisfactory profits.

This is shown by a new NATION'S BUSINESS survey in which more than 240 executives from major companies in a cross section of business and industry participated. More than half are presidents of their firms.

Prospects for the coming year look hopeful-to-bright to these executives.

Ninety-three per cent expect sales of their companies to improve over 1961. Eighty-three per cent describe themselves, with some reservations, as "optimistic" about the over-all outlook. Eighty per cent plan to step up hiring.

Despite the generally buoyant tone of their comments, a number of uncertainties seem to be troubling corporate officials in their assessment of the short-term business outlook.

One is the continuing tension between the West and international communism, a conflict which many business leaders feel will lead to new brush-fire wars and high tension, but no large-scale nuclear war.

Another uncertainty: the attitude toward business of the Democratic Administration in Washington. Survey replies indicate that business opposition to the economic policies of this Administration is beginning to harden.

Still another question mark is the profit picture. Seventy per cent of the business leaders taking part in the survey said "maximizing profits" would be the greatest single problem their organizations will face in the year ahead.

So that you may compare your own evaluation of prospects for 1962 with those of high-ranking execu-

tives in other industries, here is a more detailed analysis of the survey results.

### Over-all outlook

Eighty-eight per cent of the executives reported they expect business conditions in 1962 generally to improve over those in the year just ending. Only one per cent foresees a decline. Eleven per cent said they thought business next year would about equal 1961.

Asked whether they would describe themselves as optimistic, pessimistic, or uncertain about 1962, eighty-three per cent favored optimism. Sixteen per cent reported they were uncertain. One per cent said they were personally pessimistic.

Amplifying comments disclosed that some business leaders are more confident that business will rise in the first half of 1962 than in the second half. A significantly sizable number stressed that their optimism was "moderate" or "restrained" or "tempered with caution." A few noted that, if the international situation should get worse, all bets would be off.

"Everything points in the direction of optimism," said W. E. Dillard, Central of Georgia Railway Company president.

"Inflationary pressures will be building up—but not explosively," reported Charles J. Zimmerman, president of Connecticut Mutual Life Insurance Company.

"Optimistic—but only modestly," commented Robert B. Semple, president of Wyandotte Chemicals Corporation.

### War worries

The executives were asked if they felt that current international tensions would lead to war in 1962—or in the foreseeable future.

Ninety-two per cent said "No."

Comments here—and they were numerous—disclosed a considerable amount of hedging despite the overwhelming number who said "No." A majority of the executives who expanded their answers feared limited, localized wars—in Southeast Asia and Africa



Here's how businessmen  
answered key questions  
in NATION'S BUSINESS survey:

RISE      HOLD LEVEL      DECLINE

## BUSINESS

Do you expect business conditions  
in '62 generally to improve over  
'61, decline or remain about same?

88%      11%      1%

## SALES

Will sales of your company rise  
(do better than in '61), decline or remain  
at about the same level?

93%      7%

## EMPLOYMENT

Do you expect employment in your firm  
in the coming year, as compared with  
'61, to rise or decline?

80%      20%

## PRICES

Do you plan to raise the price of your  
goods or services in the year  
which will begin on Jan. 1, 1962?

\*51%

## PROFITS

Do you expect your profit per  
dollar of sales in '62 to improve  
over '61, decline or hold level?

48%      45%      7%

## INVENTORY

Do you plan to enlarge your business  
inventory in the coming 12 months?

21%      69%      10%

\*Forty-nine per cent do not plan to raise their prices. (Figures in table and in article have been rounded.)

—but thought such conflicts would be contained.

Several businessmen said the international situation was too confusing to warrant an intelligent guess as to what might develop. A number, including C. J. Backstrand, president of the Armstrong Cork Company, called for stiffer government policies to turn back the wide-ranging communist bear.

"We cannot continue to lose every round in the cold war, and to reverse the policy of appeasement followed for so long will involve some apparent risks; but a willingness to take the initiative—a determination to aid only our friends and to have an affirmative program—would diminish the likelihood of war, not increase it," Mr. Backstrand commented.

Thomas B. Kimball, executive vice president for operations of Sin-

clair Oil Corporation, made this observation: "Mr. Khrushchev is not unlike some of our labor leaders. He beats his breast, pounds the table and makes unreasonable demands, expecting that, when it is all over, someone will give just a little. So he gains by our weakness in not standing firm. U. S. corporations are under the same union pressure continually."

Several executives expressed the opinion that the present controversy over Berlin and a German peace treaty would result in the United States bowing to Soviet pressure and making concessions which would at least temporarily relax world tensions.

The business leaders also were asked if their companies are making any special preparations to cope with a national war emergency. Seventy-four per cent said they have no special planning; 26 per cent said they do have preparedness programs, including dispersal, microfilming and vault storage of

vital company records, duplication of files, arrangements for succession of management, plans for alternate sources of supply, decentralization of company staff (including provision for alternate headquarters sites) and, in a few instances, arrangements for fall-out shelters for employees. (For more on civil defense, see page 34.)

## Sales

Ninety-three per cent of the businessmen surveyed expect better sales in 1962 than this year. Seven per cent expect their sales to run at about this year's level.

Sales figured importantly in other ways in the survey.

The need to get more quality men into his sales organization was listed as a primary problem by the head of a major insurance company. A chemical company president cited the need "to conduct our selling strategies toward minimal dislocation of pricing patterns which are much too low." The vice president of a company in the candy field called his firm's biggest problem "increasing salesmen's desires and productivity."

## Employment

Eighty per cent of those taking part said they expect higher employment in their companies in the coming year. Twenty per cent said they would hire fewer workers.

The number of executives projecting increased employment is markedly higher now than six months ago, when NATION'S BUSINESS conducted a similar survey. Then 39 per cent said they expected to hire more employees in the 12 months ahead (last half '61, first half '62).

## Prices

Fifty-one per cent of the men participating said they plan to raise the price of their products or services in the next 12 months.

Forty-nine per cent plan no raise.

Prices also came up in a number of comments on companies' biggest problems.

R. F. Erickson, president of Rayonier, Inc., chemical cellulose manufacturer, said the fact that current prices are too low makes it increasingly difficult for his firm to improve its profit position.

The president of a New York cable manufacturing company described the present period as "profitless prosperity" because of the cost-price squeeze.

The head of a New Hampshire insurance firm reported that his industry is in a rate war and the vice

# WATCH FOR...

## When government runs transportation

Talk of government take-over as remedy for ills of U. S. transportation industries prompts study of British experience with nationalization. On-the-spot report gives you the facts about its failure.

## Check your management costs

Research project involving 199 companies produces useful new yardstick for measuring how your firm compares with others in making efficient use of management and administrative personnel.

## Your stake in worker rights

Employee rights of all kinds will be a big issue in the coming year. This article tells how legislation and decisions of courts and Labor Board can affect operation of your business as well as union power.

... and many other timely, important and useful articles

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# Nation's Business



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president of a metal building products manufacturing concern said "prices are at a depressed level and must improve to yield a profit." The assistant to the board chairman of a Texas utility commented that "keeping costs down so that rate increases will not be necessary" was the major challenge confronting his company.

#### Business spending

"Will your company—in the coming year—spend to improve existing products or services, to launch new products or services or to remodel, repair or expand existing facilities?"

Eighty per cent answered that they would spend to improve their products or services.

Sixty-six per cent said they would spend to launch new products or services. Seventy per cent planned to spend for remodeling, repairing, expansion.

The vice president of a Chicago manufacturing concern said his company's capital spending plans were contingent on some restraint in the "antibusiness attitude of government."

#### The Kennedy Administration

Eighty-two per cent of those responding to the survey said they felt that charges of antibusiness bias in the Democratic Administration in Washington were justified.

Running through the comments, however, was some indecision as to whether a final judgment can be formed at this time.

Nonetheless, the majority commenting hit at labor favoritism by the Kennedy Administration, at a lack of realism in the Administration's general approach to economic issues, and at some actions considered clearly antagonistic to the business community and the welfare of the free enterprise system.

The president of a Midwestern steel company remarked: "I think the Kennedy Administration demonstrated its antibusiness attitude when it requested the steel industry to hold prices in the face of the October general wage increase in the industry immediately after settlement of the General Motors-UAW negotiations, during which time they put no pressure on the union to hold down their demands."

Another steel man said: "Elected with strong labor support, he [President Kennedy] expects to be re-elected the same way."

The president of a St. Louis insurance company observed that, in his opinion, the Kennedy government was not intentionally antibusiness, but that its business policies nonetheless were "more idealistic than realistic."

In contrast to these comments, the president of a Philadelphia bank, said: "On balance, and taking into account the Administration's expressed desire to dispel this criticism, I feel that the label 'antibusiness' is a bit too harsh. However, this Administration does appear less sympathetic to business than the previous Administration."

A. Lightfoot Walker, president of Rheem Manufacturing Company, answered: "I believe the Administration could demonstrate more awareness of many of the varied problems of business."

A significant number singled out the Administration's antitrust ac-

**You can improve  
your company's  
chances of surviv-  
ing nuclear war.  
See page 34**

tions as evidence of an antibusiness slant. "They talk probusiness but act otherwise," commented one executive.

#### Profit expectations

Forty-eight per cent of the executives polled said they expect their profit per dollar of sales in 1962 to improve over 1961.

Forty-five per cent said they expect it to remain about the same.

Seven per cent said they expect it to decline.

#### Inventories

Asked if they expect to expand their inventory in the coming year, decrease its size or maintain it at about current levels:

Sixty-nine per cent said their inventories would remain about the same in 1962 as 1961.

Twenty-one per cent reported they will enlarge their inventories.

Ten per cent said they will reduce inventories.

#### Tax laws

In a multiple-answer question, 56 per cent said they think present

laws and regulations covering tax deductions for depreciable property should be revised to give the taxpayer the power to set the useful life of property within certain ranges.

Forty-two per cent favored altering present laws to permit writing off more of the cost of property in the early years of its life.

Eight per cent believe the existing laws should be left alone.

#### Labor costs

The businessmen were asked:

How much do you expect your labor costs, including so-called fringe benefits, to increase (in cents per hour) in 1962?

Only seven per cent anticipated no change in these costs.

Forty per cent predicted increases ranging from five to nine cents per hour and 27 per cent forecast increases of from 10 cents to 14 cents per hour. The remainder expected increases which varied widely.

In the largest single category—those expecting increases of from five to nine cents per hour—were firms in manufacturing, printing, food processing, hotel services, transportation and a few other fields.

#### Problems

The range of "biggest company problems" was wide, indicating the diverse challenges which various industries face.

Complaints over government regulation and restriction on efforts to diversify came from railroads.

Competition from the government was often mentioned by public utilities.

Some problems commonly shared were: maximizing profits; controlling costs and expenses; meeting increased competition—domestic and foreign; keeping abreast of technological change through automation and by other means; dealing with labor demands; and securing and developing competent personnel.

A board chairman reported that the biggest problem of his power and light company in 1962 would be "effectively blocking socialization of our industry."

The president of an electrical equipment manufacturing company said it would be "managing business in face of increasing government regulations and interference and hostility."

The treasurer of a textile firm replied in one word—"imports."

The president of a Midwestern railroad summed up: "Our biggest problem will be one of maximizing profits—in fact, in getting any profits." **END**



# PERSONAL OUTLOOK

## Pay raise ahead for you

**Do you earn \$500,000** or more a year?

If so don't expect many new faces in your neighborhood.

Around 1,000 people are in that income range now.

But the number isn't expected to increase much over the years ahead.

**The outlook is brighter** for executives whose personal income is lower.

In year ahead:

As many as 1,000 could join those who are earning between \$200,000 and \$500,000.

More than 600 executives may climb up to the \$150,000 to \$200,000 income range.

A big jump is indicated for those in the \$100,000 to \$150,000 income group. The number may rise more than 3,000.

**Pay boosts are in store** for many others as well.

About 20,000 executives will move up to the level of \$50,000 to \$100,000.

Another big jump is indicated for those earning between \$25,000 and \$50,000.

The number of people with incomes in this range may go up as much as 50,000.

**If you are at the top** end of the personal income bracket ranging up to \$20,000 now, you could step across the line next year.

An estimated 35,000 executives will move up to the \$20,000 to \$25,000 range.

Or maybe you'll be one of 100,000 who will join the ranks of those earning between \$15,000 and \$20,000.

**Your higher pay check** also will bring you a higher tax bill.

As a business executive you are one of fewer than two per cent of the taxpayers who pay more than a fourth of all federal personal taxes.

**Is your taxable income** more than \$1 million a year?

If so you're in mighty exclusive company.

Only 265 people are in that class.

Each pays a federal tax averaging more than \$1,010,500.

Your tax bill will average well beyond \$300,000 if your income ranges between \$500,000 and \$1 million.

These figures are averages, meaning your personal taxes—in whatever income bracket you fall—could be much higher or lower.

They're based on studies of U.S. Internal Revenue Service records.

In the upper income brackets especially, a large portion of the tax comes from capital gains—where rates do not exceed 25 per cent.

## Your chances of getting rich

**If you have any idea** that you can get rich on ordinary income, forget it.

Your chances are too slim.

The personal tax rate on ordinary income reaches 91 per cent at \$400,000 for married taxpayers filing a joint return.

Above that, each \$10 is worth a piddling 90 cents to you in take-home pay.

The tax restriction on getting rich is not limited to high-income people. A pay raise for

## PERSONAL OUTLOOK

a salaried \$36,000-a-year executive—married, filing a joint return—would mean a take-home pay gain of only 47 cents out of each additional \$1.

A pay boost for the executive earning \$20,000 taxable income would net him only 62 cents in take-home pay out of each of the additional dollars.

**You'll pay an average tax** of \$130,000 if your income ranges between \$200,000 and \$500,000.

Keep in mind that these are averages and your own taxes may run higher or lower.

If you make \$150,000 to \$200,000 a year, your taxes will be around \$75,000.

For those earning \$100,000 to \$150,000, federal taxes take away \$50,000.

Your tax bill will average about \$23,000 for income between \$50,000 and \$100,000.

Specifically, Uncle Sam will be grabbing \$42.20 out of every \$100 you make.

Men with \$25,000 to \$50,000 taxable income pay the federal government an average of \$31.10 out of every \$100.

**Your state taxes** also are headed up at a vigorous rate. Collections now amount to more than \$106 for every man, woman and child in the country.

The states have just completed collecting more than \$19 billion.

It'll be at least \$1 billion higher next year.

**Like Uncle Sam,** the states are gearing up to audit more tax returns.

Thirty-one levy taxes on personal income. Most of these will check your state tax returns against your federal returns.

Special effort will be made to audit any returns questioned by Uncle Sam.

States also share information about individual taxpayers' returns with the Internal Revenue Service in Washington.

## What higher interest would cost you

**If you need to borrow** money in the next several months, you might want to start now getting your credit rating in order.

Talk to lenders, tell them your plans, establish yourself as someone in the market for a loan in 1962.

Money—as seen at this time—is expected to be adequate next year, but not overly plentiful.

Interest rates will be under the pressure of expanding business and there's a likelihood that borrowing costs will begin to go up a little more after next spring.

**Buying a home** could cost you substantially more—even though interest rates may only edge up.

Suppose you plan to buy a \$40,000 house.

Put down \$15,000 and obtain a mortgage for \$25,000 payable over 20 years.

If the interest rate you pay goes up one half a percentage point, you'll be paying an extra \$1,650 for the loan.

If you obtain the same loan for 35 years, your borrowing cost would go up \$3,400.

**Same thing is true**—on a smaller scale—for borrowing small sums.

Suppose you want to borrow \$4,000 for 10 years. An increase of one percentage point—could happen on such loans—would boost your borrowing costs more than \$260.

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# Boost your earning ability

Key may be your capacity  
to absorb new facts, ideas

AN EXECUTIVE who stops learning stops earning his way. It does not take his superiors long to see this. An easy way for anyone to prove he is on the downhill slope is by showing reluctance to absorb new information or adopt new methods.

A decrease in the capacity to learn is not inevitable. In fact, the more a man has learned, the more easily he should learn. New experiments suggest that the act of learning may release in the brain minute amounts of certain chemicals which facilitate further learning.

Not even the greatest genius who ever lived made anything like full use of his capacity to learn, however, and the average man may use barely 10 per cent of his capacity. Modern psychologists and educators have sought ways to promote the steady growth in learning performance which should come naturally, but somehow does not for most men. They offer three concrete suggestions that will help you sharpen your learning capacity:

1. Realize your ignorance.
2. Keep your expectations limber.
3. Concentrate on processes.

## **Realize your ignorance**

It is obviously quite possible to be absolutely ignorant on some particular subject. Most of us can claim such ignorance of, say, higher mathematics. What many men have trouble grasping is that it is not possible to have absolute knowledge of any subject. There are only degrees of ignorance.

The man who thinks he knows everything about any subject renounces all hope of learning anything about it.

For some 20 years the owner of a highly profitable automobile agency employed as his chief assistant a man who had been born and raised next door to his own home.

The two had been in the same class at school. At various times insurance advisers tried to persuade the owner to bond his assistant since the latter had considerable authority over the firm's funds. They all met flat refusal.

"I know all there is to know about him," the

agency owner insisted. "It would be insulting to bond him, not to mention the waste of money."

Eventually, it turned out that over several years the assistant had been embezzling the firm's funds. Because of the lack of bond this defalcation resulted in bankruptcy for the agency's owner.

Although his insistence on trusting his old friend is heart-warming, his "I-know-all-there-is-to-know" grounds for refusal to require a bond overlooked the fact that even the closest intimacy does not teach anyone all there is to know about another human being. All of us have had experience in the complexity of the human personality. Most of us have trouble understanding some of our own impulses.

It is similarly impossible for anyone to know all there is to know about anything whatever. To convince yourself of this pick up a blank sheet of typing paper and see how close you can come to knowing all about even such a simple object as this.

With the proper instruments you might be able to





get fairly accurate measurements of its dimensions, of its weight, of the precise shade of its color and other aspects.

With a spectroscope you could get some idea of its chemical composition and molecular structure. But not even the most advanced equipment could give you complete information on the composition of the nucleus of a single one of its atoms.

This is reaching pretty far out, to be sure. The purpose of the long reach is to try to make clear that, no matter how elaborate your efforts, some of the information about anything is bound to prove unobtainable.

An obvious objection is that we never need to know all about anything. This is true so long as we remember that we don't know. New circumstances may make it vital to seek information that never before seemed worth the trouble. That search is impossible if we imagine we already have all that counts.

At a certain tannery, water containing scrapings from hides was discharged into an outdoor pool where the solid matter could settle. Every few weeks the pool was drained and the settlings removed. The system worked fine until a housing development went up nearby. When the wind blew from the pool toward the development, the homeowners understandably protested.

To seal up the odor, the tannery manager roofed the pool. Just as the work was completed one of the workmen lit his pipe and tossed the match into the pool which he, the tannery manager and everyone else concerned knew was merely water containing waste matter.

Until that instant no one had felt any need for further information. But the roof trapped gas that previously had blown away. It burst into flame the instant the match touched it.

A salesman of industrial equipment has developed a procedure for making as sure as possible that he never will lead himself into believing that he knows all about any matter pertinent to his work.

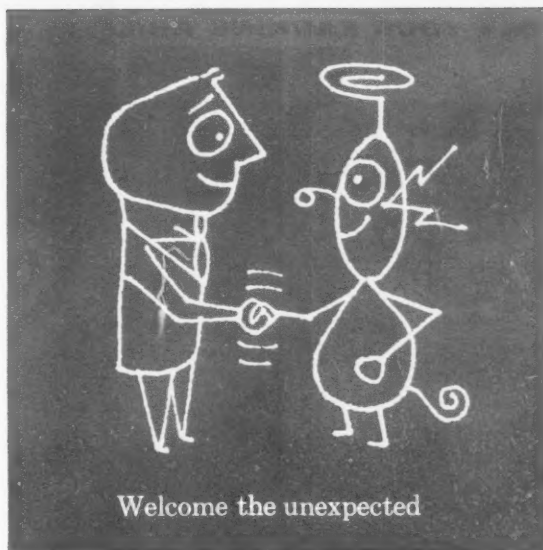
His territory includes some 100 actual and potential customers. On each of them he keeps a book, in some cases whole sets of books which tell him not merely how much he knows about each company but also keep reminding him that there is much he does not know.

His favorite story in justification of the time and effort he has put into the system concerns a company he was unable to crack for many years.

"It was an old outfit," he says, "and it had gone through many changes over the years. Its name has changed several times. Every once in a while I'd stumble on something that would take me another step back in its history. It finally turned out the company was a lineal descendant of one founded in the 1880's by one of my grandfathers. That was not exactly an open-sesame, but it was useful in getting my foot inside the door."

#### **Keep your expectations limber**

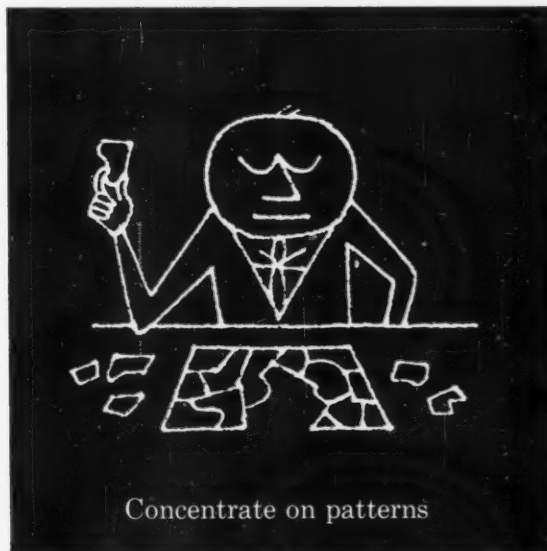
Experiments have established that you can persuade many people to see three digits where there actually are only two just by leading them to expect

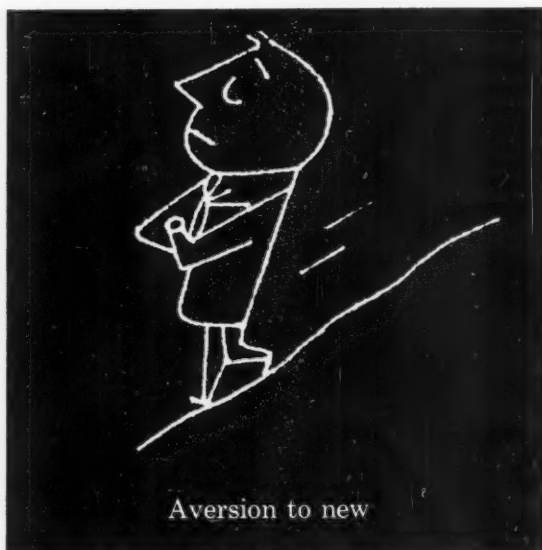


to see three. This strong tendency to find what we are looking for, to see what we expect to see, can rigidly limit our power to take in new information and ideas.

Some years ago the first supermarket opened in an upstate New York town that long had been served by two old-fashioned grocery stores. The grocers had long advance notice of its coming. One of them had detailed, vivid and frightening expectations about the effect the supermarket would have on his business—that unless he was able to meet the new competition at every point he would go under.

His expectations prevented him from paying any attention to the available evidence about the effect of the new competition and ways others had met it. He plunged into costly modernization and expansion of his store. Modeling it closely after the supermarket,





he was able to keep going, mostly downhill, for about 10 years.

The other grocer was not sure what to expect from the new competition. As a result he kept turning up new possibilities.

He visited other towns where supermarkets had opened earlier and talked with grocers who already had experienced the competition. What he learned persuaded him to sit tight for a while and see if he could learn a little more.

He still is sitting tight, also pretty. He not only has made no effort to remodel his store along supermarket lines but has given the place a few more old-fashioned touches, including a barrel of crackers from which customers can help themselves. He makes no attempt to compete in price, either, but most of his customers are glad to pay a little extra because of the high quality of his stock and such advantages as charge accounts and deliveries. And he still is able to go on learning by listening closely to any comments his customers offer in praise or condemnation of either his store or the competition.

This is not to suggest that anyone should, or even could, avoid expectations altogether. During every waking moment each of us is bombarded with so much information through our eyes, ears and other senses that we have to file most of it away without paying much attention to it. We need flexible, adjustable expectations to serve as filing systems. Trouble begins when the expectations become so rigid that they reshape incoming material to fit themselves instead of altering to accommodate it.

The owner of a textile firm once hired a bright young accountant as assistant to the company's treasurer with the idea that the young man would replace the treasurer on the latter's retirement. The newcomer performed with zest and showed interest in all phases

of the firm's operations. Both the owner and the treasurer were highly pleased with him.

Then one day the young accountant showed up with a set of textile designs which he had worked on in his spare time.

"Every man should stick to his own business," the owner barked. "We have no use for amateur accountants around here, and we don't want any amateur artists either."

A few weeks later the accountant walked into the boss's office, displayed a check for several hundred dollars from a competing firm, explained that it was for the drawings he had brought in earlier and announced that he was quitting to go to work for the competitor.

A few years later he formed his own firm, and his unusual combination of talents make it a strong competitor of his original employer.

That employer's rigid expectations made it obvious and indisputable to him that an accountant is an accountant, an artist is an artist and the two can have nothing in common. They prevented him from trying to learn whether the accountant's designs were any good and thus turned what might have proved his most valuable employe into a competitor.

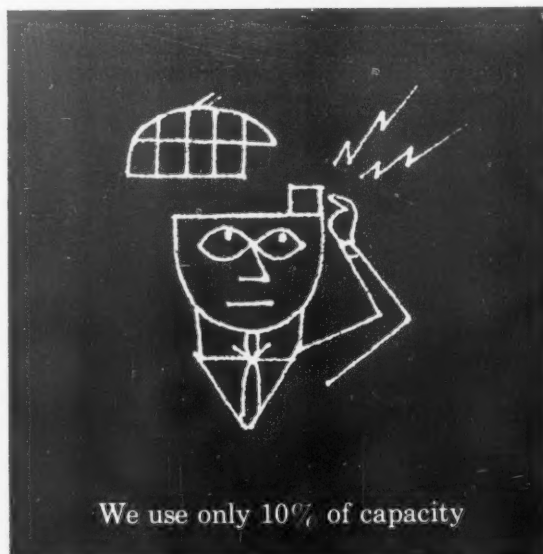
Whenever you encounter anything contrary to your expectations and feel tempted to dismiss it, stop and consider. The best way to learn something new is to take an interest in the unexpected.

#### **Concentrate on processes**

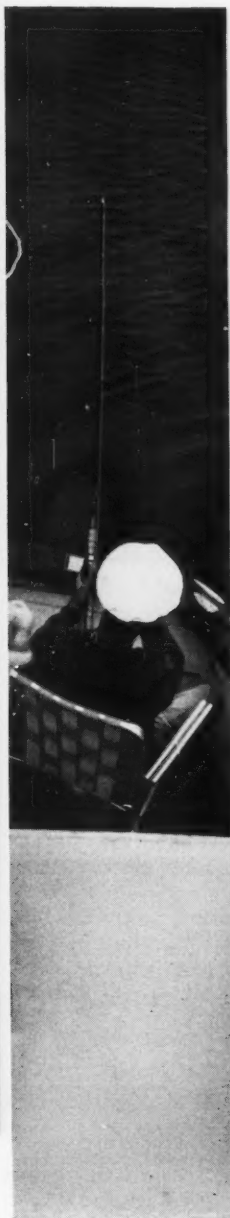
There are two profoundly different ways of learning something new.

One way is to memorize separate items separately. It is possible to accumulate an enormous amount of information in this way.

Men have been known to memorize the names of



# going places?



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the win, place and show horses in every major race over 30 years or more. This parrot-style learning usually requires long drudgery, but it can be applied to comparatively simple matters. It can have bizarre effects.

Not long ago a sizable corporation succeeded after long negotiation in hiring a top executive away from a competitor. As a matter of form he was asked to take a battery of psychological tests given all new executives. When he found that the 17 tests took most of three days, he became inquisitive. But no one in the personnel department could explain why some of the tests should be given to anyone.

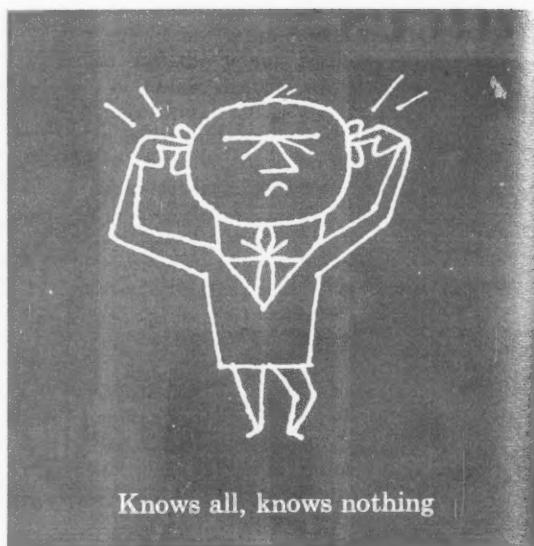
Maybe the needless tests were started to determine whether they would help predict how a man would do in an executive position. The personnel department apparently lost sight of that purpose and concentrated on administering the tests.

The other way to learn is to concentrate not on separate and static items of information but on patterns of information. Such patterns are essential to realism because reality is not a collection of odd facts. It is a set of endless, interconnected processes in which each item has both causes and consequences.

The cases of two furniture makers illustrate the difference of the two approaches to learning about the unknown.

One of them decided that, to increase his production efficiency, he would concentrate most of his equipment and employees on a single item. One good possibility was a dinette table with an enamel top. On learning there was a large market for such tables, he took the plunge.

There was nothing wrong with this information. The trouble was that the furniture maker separated it from the process of which it was a part. Although sales of enamel topped tables still were large, they



were declining because of growing competition from laminated, plastic-topped tables. Established makers of the product were fighting hard for every scrap of the market. The newcomer lost heavily in the course of discovering how misleading his single item of accurate but isolated information had been.

The other furniture maker was developing designs of chairs and other items for elderly people. He wanted to open a plant near the best market. There are, of course, a few cities famous for the numbers of their older inhabitants. He was wise enough not to pick one of these on the basis of the disconnected fact that it has a large number of older people. Instead, he sought information on the trends of the population of older people in cities throughout the country.

He learned to his surprise that his own city was attracting sizable numbers of retired persons as permanent settlers. Since such new and permanent settlers provided the likeliest market for new furniture, he decided to stay put. He has not only made a success of his furniture but also has been able to get in on the ground floor in developing other profitable specialties and services for the growing numbers of the local elderly.

Concentrating on processes or patterns of information rather than on isolated facts not only prevents you from getting caught short when facts prove mutable. It also keeps you constantly aware that there is more to learn, since the processes link in endless chains with others going on around them.

—ROBERT FROMAN



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## Civil defense officials outline reasonable steps to take now

warning system and a disaster control center. Don't rely on the community's air raid sirens to alert your workers to an impending attack. Arrange to receive air raid warnings from the Civil Defense network (the telephone company can tell you how) and to relay the warning quickly to all areas of your plant. Many companies have found existing public address systems well suited for this purpose. It may be necessary, however, to add sirens or loud speakers to reach workers outdoors or at distant points in the plant site.

It is important to have a central control room with excellent communications to all parts of the plant and the nearest Civil Defense Center. In any crisis, including a peacetime disaster, the plant civil defense coordinator can use this room as a command post from which to direct emergency activities. The Pratt & Whitney Aircraft plant at East Hartford, Conn., has completed a model control center consisting of four rooms in a bomb-proof underground chamber. Most companies get along with considerably less elaborate set-ups.

### 5. Provide personnel shelters.

Here, as in nearly every other aspect of civil defense preparations, you have a wide range of choice as to how much you do. In general, the more you are prepared to spend on shelters, the greater protection you can get. But it is possible to provide excellent shelter against fallout for modest expenditures.

Some companies are building special underground shelters strong enough to protect against blast as well as fallout. Rohm & Haas, for example, has equipped its Bristol, Pa., chemical plant with a reinforced concrete shelter designed to withstand the effects of a 20-megaton bomb exploded five miles away. The shelter is big enough to accommodate 1,500 employees. Rockefeller Center in New York, where many leading business firms have offices, has announced plans for a massive underground shelter that can hold up to 200,000 persons. United Air Lines is building a shelter for 1,700 people at its new executive headquarters near Mt. Prospect, Ill. Carrier Corporation is drawing up plans

for shelters at all 20 of its plants. How much does it cost to provide such shelters? Estimates vary widely. The Cincinnati Milling Machine Co., which has built special shelters in all of its plants, figures the cost range at \$202 to \$249 per employee.

It is much less expensive to incorporate suitable shelter space in the original designs of a new building. Some architects guess that it adds no more than 10 per cent, possibly much less, to building costs. International Business Machines is putting fallout shelters into new facilities as they are built, and other companies are doing the same.

One way to reduce the cost of a special shelter is to design it for dual-purpose use. The Cleveland Twist Drill Co. has found that its underground shelters double admirably as company cafeterias.

Before any company plunges into more costly programs, Mr. Couch recommends that engineering surveys be made to determine how much existing space in plants and office buildings is suitable for fallout shelter, or could be made suitable with relatively inexpensive modifications.

Eastman Kodak did this, and discovered that it already had more than ample shelter space for all employees.

If you are willing to let your premises be used as a public fallout shelter, the government will make the engineering survey for you, designate safe areas, and stock them with a two-week supply of food and water. What you'll be doing, in that case, is bringing your plant or office building into the national program for public shelter designation, which is now being launched by the Office of Civil Defense. Congress has appropriated nearly \$100 million for this program, which is intended to designate enough shelter space for 50 million persons by the end of 1962.

If you want to restrict use of your shelters to your own employees or their families, you'll have to make your own survey. But the Office of Civil Defense will be glad to train your plant engineers to do the job. Many companies have already sent their engineers through the three-day course at Battle Creek.

6. Develop and rehearse emergency shutdown procedures. "This is a vital part of disaster planning for any industrial plant," says Mr. Couch. "Whether it's a matter of pulling a switch, closing a valve, or cooling a large furnace, the whole procedure must be carefully planned in advance." This is true also in office buildings, where explosive gas fumes, high-voltage electric lines and similar hazards may be just as deadly as military weapons. Once the shutdown plan is put down on paper, there should be periodic drills to make sure everyone knows what to do. Dow Chemical Co. proclaims a "hypothetical emergency" at least twice a year to familiarize all hands with shutdown procedures at its Midland, Mich., plant.

7. Make an evacuation plan. Since attack patterns are unpredictable, there is no way of telling in advance how much warning a particular area may get. It could be only a few minutes—in which case, there will be no choice except to dive for the nearest shelter. But it is not unlikely that many areas will have several hours of advance warning. The national Civil Defense plan calls for evacuation of probable target areas "if time and conditions permit." Local authorities will have the final decision, and each company should gear its own evacuation plan closely into the community plan.

Studebaker-Packard has informed each employee by which plant exit he should leave, what transportation he will use (there are both primary and alternate assignments for each person), and what routes will be followed out of the city.

A plant evacuation plan is useless, however, unless your people have somewhere to go once they're out of the city. Many business firms feel that providing mass shelters on the peripheries of target cities is a government responsibility. So far, the government has done little about it. But President Kennedy is now reported to be interested in a proposal for large public shelters to be built in rural areas near major turnpikes and interstate highways.

The best bet for business seems to be: Go ahead and make an evacuation plan for your plant, and hope that community or national action will be taken to provide reception centers for evacuees.

8. Plan for emergency repair and restoration after an attack. You don't know how much damage your plant—or the surrounding community—may suffer, so it is obviously not feasible to draw up detailed

plans for restoration of production. But there are many things you can be doing now. You can organize your employees into postattack repair teams, with expert mechanics as the nucleus of each team, and less-skilled technicians or office-workers as helpers. You can train the teams in methods of damage assessment and control, and show them how to make emergency repairs to electrical, communications, gas and water facilities. Local utility companies, and the local civil defense director, can assist with this.

It would also be worth while to do a little planning about alternate production methods, or the use of substitute machinery. Stockpiling spare tools—perhaps in a dispersed location—and providing standby power facilities are other far-sighted precautions which are not unduly

### Want to know more? If you:

- ▶ Need advice on what your disaster planning director should do;
- ▶ Are interested in training in this field;
- ▶ Want to set up and train a radiological team;
- ▶ Are considering joining or setting up an industrial mutual aid association;
- ▶ Want to identify shelter space in your plant;
- ▶ May build a shelter for your employees.

The Office of Civil Defense has help available. The address is Battle Creek, Michigan.

expensive, and could spell the difference between getting back into production quickly or remaining paralyzed for months.

9. Disperse production facilities. To relocate an existing plant may be prohibitively costly. But it's plain common sense to disperse new or expanded facilities. Each time a new plant is built in an area which already has a heavy concentration of industry, that area becomes a

more inviting target. If a company has several units which can operate separately without serious economic disadvantage, it is poorly advised to bunch them up in a single location. The more sites you have, the more likely it is that one or more of them will survive an attack.

Mr. Couch recommends these nine measures for all industrial organizations. If you want to do more, the Office of Civil Defense will have no quarrel with you. Some companies have done more.

The American Telephone & Telegraph Co. has provided buried cables, underground switching stations, and elaborate by-pass routes around major cities. A. T. & T. knows that the nation's survival may hinge heavily on communications that can continue functioning after a nuclear attack.

If industry should decide in the future to go underground, it will find a substantial amount of space available. Surveys by the Army Corps of Engineers indicate that existing mines contain about 500 million square feet of floor space that could be used. About two thirds of this space is in the east, where industry is most heavily concentrated.

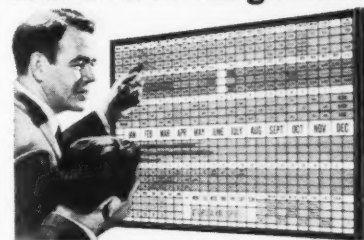
### II—Preserving the corporate structure

10. Plan for continuity of management. The first step is a legal technicality, easy to accomplish now, but potentially of vast importance. Amend the corporation charter or by-laws to provide that in a national emergency the board of directors can act with less than the usually required quorum. Jones & Laughlin Steel Corporation added this language to its by-laws:

"During any emergency period following a national catastrophe due to an enemy attack, a majority of the surviving members of the Board who have not been rendered incapable of acting due to physical or mental incapacity or due to the difficulty of transportation to the place of meeting shall constitute a quorum for the purpose of filling vacancies in the Board of Directors and among the elected and appointed officers of the Corporation."

The second step is to draw up an "emergency executive succession list." For each key position, designate a list of replacements in order of succession. Everyone should clearly understand that this is not a promotion list, or necessarily an indication of anyone's relative importance in the organization. In companies with scattered facilities

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## SURVIVAL

*continued*

and branch offices, it is highly desirable to get as much dispersal as possible into the list. Retired executives also may be designated.

11. Protect vital records. This is one precaution that many companies have already taken. First, you must determine which records are really vital—not those it would be nice to have, but those without which the organization would suffer from what one executive calls “corporate amnesia.” Include written descriptions of manufacturing processes, engineering designs and essential legal documents.

The records deemed truly vital are then duplicated, on microfilm or otherwise, and the duplicates are sent to a safe place. Underground storage vaults for corporation and bank records now exist in all parts of the country, and new ones are constantly being opened. One of the oldest such enterprises, the Iron Mountain Storage Co., now has the records of more than 3,000 U. S. business firms in safekeeping in an old mushroom cave near Hudson, N. Y. Underground Vaults and Storage, Inc., of Wichita, Kans., rents space in a vast salt mine, 650 feet below the surface of the earth, for as little as 50 cents per cubic foot per year for inactive records, or as much as \$5 per cubic foot per year if you want a custom-built private vault.

12. Establish an alternate company headquarters. The Standard Oil Co. of New Jersey was one of the first corporations to do this, and others are following suit. Jersey Standard's alternate headquarters is a former rest home in a rural area near Morristown, N. J., about 30 miles from New York City. It has a complete set of duplicate corporation records in a fire-proof underground vault, an extensive communications system, stand-by electric power, an independent water supply, a restaurant which always has a two-week supply of food on hand, and living quarters for 70 people. Jersey Standard also has set up a number of emergency reporting centers for employees at various dispersed points around New York (including the suburban homes of executives) as a means of regrouping its manpower after an attack.

13. Develop emergency financial procedures. Some companies have set up unrestricted bank accounts at a number of widely scattered locations. Others have stockpiled

“disaster checks”—already made out in multiples of \$50 or \$100—which may be used to pay employees, procure materials or meet other emergency needs after an attack. It may also be a good idea to lay in a modest amount of cash in storage vaults at the alternate company headquarters, or other locations. Ready money can be a mighty good thing to have handy, even after a nuclear attack.

### III—Promoting community and national survival

14. Urge employees to make preparations at home for the protection of their families. Mr. Couch believes that industry can do more than any other segment of society to overcome apathetic attitudes toward home fallout shelters and other family safeguards.

“One of the most effective places to reach people with survival information is where they work,” he says. “The message takes on real

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**Union officials now hold many top posts in Washington. Does this give government a labor bias? See article on page 31**

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meaning if it is backed up by concrete evidence that the company takes civil defense seriously.”

IBM announced on Oct. 19 that it is offering \$70 million in interest-free loans to its 70,000 employees to build fallout shelters at their homes. Board Chairman Thomas J. Watson spoke to all of the company's employees over a special nationwide telephone hookup, urging them to take advantage of the offer.

Cleveland Twist Drill Company is buying bulk quantities of materials needed to build home shelters, and making them available to employees at cost, with the option of long-term installment payments by payroll deduction.

Many companies are distributing “survival information” kits to their employees. The Office of Civil Defense will provide free literature.

15. Keep stockholders and the public fully informed about your company's activities in civil defense.

“Business leaders occupy a position of prestige in their communities,” says Mr. Couch. “If it is known that they are making plans

for disaster, individuals at home will be motivated to do likewise.”

Mr. Couch did not say so, but it may be noted that an active company civil defense program would unquestionably be good public relations—and good community relations. It may also be good for stockholder relations. Keith Funston, president of the New York Stock Exchange, reports that security analysts have begun to inquire about the survival preparations of corporations.

There are other ways in which a sound civil defense program can pay immediate dividends to your company which may largely offset the cost.

The Esso oil refinery at Bayway, N. J., had an accident frequency rate of 4.6 per million manhours before it adopted a civil defense training program.

After its employees had been made safety-conscious by training in first aid, fire-fighting and rescue work, the accident rate dropped to 0.4 per million manhours.

The Koppers Company reports an even more spectacular peacetime pay-off from its civil defense program. A big fire broke out in its tar products plant at Follansbee, W. Va. on Jan. 30, 1959.

“We could have lost the entire plant and the lives of many employees,” says Operations Manager John H. Redmond. But the plant's disaster teams, trained in a civil defense program, swung into action so effectively that the blaze was brought under control with no loss of life, and property damage that amounted to only about five per cent of the plant's value. Mr. Redmond says there is no doubt that “we are still in business because of our efforts in industrial civil defense.”

Beyond all arguments of expediency and self-interest, however, there is still another and better reason why your company should act now to prepare for survival.

The reason is succinctly stated by the Chamber of Commerce of the United States:

“A demonstrated lack of such ability to survive could become the major factor in encouraging a devastating enemy attack.”

—LOUIS CASSELS

**REPRINTS** of “Survival Plans Your Company Can Use” may be obtained for 15 cents a copy or \$10.15 per 100 postpaid from *Nation's Business*, 1615 H St. N.W., Washington 6, D. C. Please enclose remittance.



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THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

## CONGRESSMEN

*continued from page 38*

doing is maneuvering for ourselves and the rest of the world.

"In our foreign aid we've made many mistakes, we've had crookedness. In Africa and elsewhere there are revolutions of aspirations. They're trying to put together crude governments. They're suckers for the communists. Our foreign aid is designed to keep these governments noncommunist.

"It was a success in Greece and Turkey. It's been a failure other places. It's tough to figure what to do, but I don't hear any alternatives proposed.

"It's only recently that people have begun to think seriously about civil defense. I've been urging plant dispersal and civil defense moves for years. We just don't have the communist fanaticism. You ought to hear the screams I get in my office when they call up a few more reserves. If we acted like the Russians and invaded a few countries, we would eventually have to become an armed camp.

"Our real threat from Cuba is not military, but political. Russia's more than 400 subs offer far greater military threat than Cuba does."

### **How much security**

Another businessman turned to a different arena:

"In the area of social security, we face ever higher taxes. It was sold to us as a little bit of taxes and a lot of benefit. Now I'm not arguing that we should go back. But we seem to be on the threshold of a great expansion of social security in the field of medical care for the aged. What plagues me is where is the great drive for paying for medical care with social security taxes? And where will it all stop? We're pretty close to the roof now. Are we going to stop short of a socialistic system where there is no capacity for anyone to save anything?"

Mr. Bolling's answer ran like this:

"You would be shocked to hear about some of the people who call me about the high cost of medical

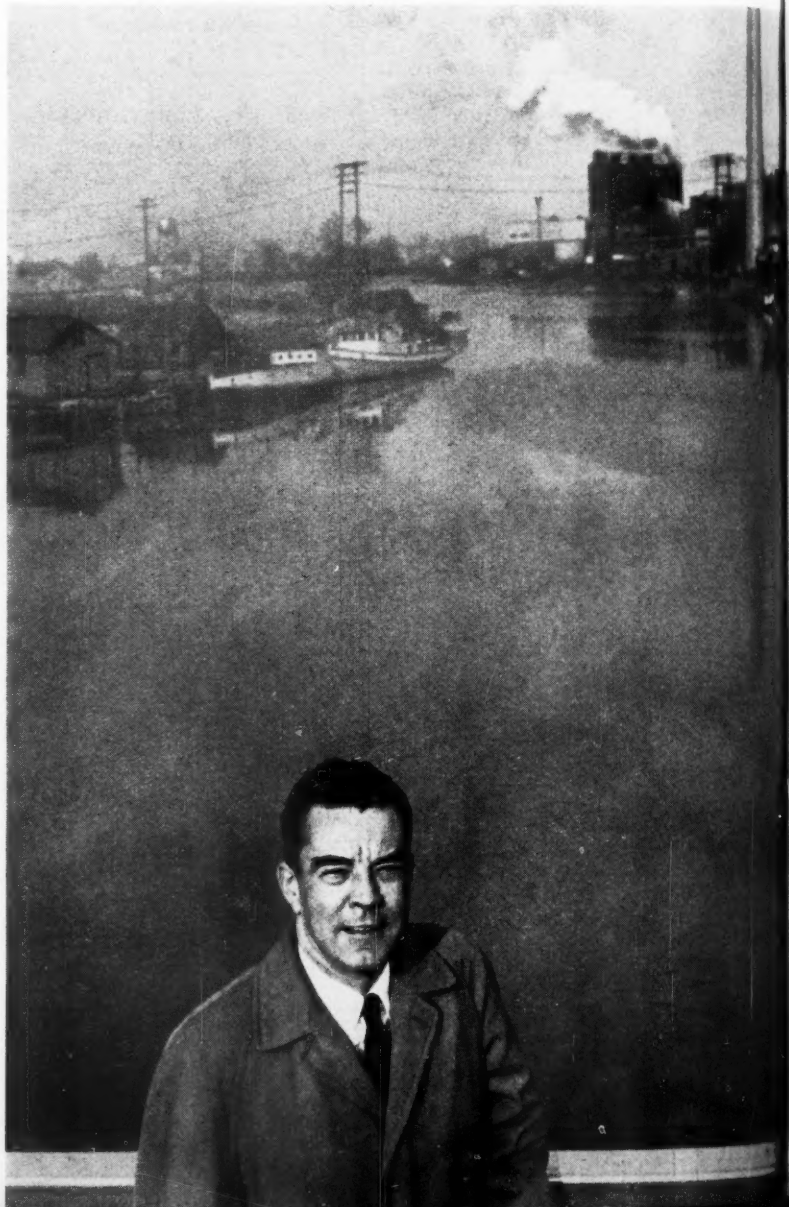
care. Most insurance protection is just too expensive for them. With more of our elderly living longer, this is an increasing problem.

"Other pressure comes from organized old age groups, labor groups and welfare groups. I'm convinced that the governmental way is the only way it can be done. I certainly wouldn't want to throw out the social security system because a few people get it who don't deserve it.

"I think there's a limit to the amount of taxes that can be raised, but I don't think we have reached it. If you come up with a solution for the problem that can be handled with private money, I'd be for it. . . . Part of the sacrifice President Kennedy talks about is giving up some of our money to pay for such programs as social security at

the same time we pay for more defense."

Since Congress adjourned, Mr. Bolling has been talking of its accomplishments. He told an evening political meeting in his district, for example, that an analysis of the membership of the House early in the session showed the Administration didn't have the votes to pass anything. But Mr. Kennedy's "persuasion and unpartisan approach" helped put through such measures as aid to economically depressed areas, an increase in the amount and coverage of the minimum wage, a feed grains bill, a comprehensive housing bill, a water pollution control measure, liberalized social security, a peace corps bill, an arms control agency, heavy increases in defense programs, grants to fight



Rep. Byrnes' congressional district has paper mills, shipping and dairy products

juvenile delinquency, and advance commitments on foreign aid loans.

He described this as the "most significant legislative production since the 1930's."

Defeat of the bill to provide federal aid for school construction was no surprise, Mr. Bolling explained. "Our tabulation of votes we could depend on never ran higher than 209, though we needed about 215 to win." He is telling constituents he thinks a new approach will be needed to enact this kind of legislation next year.

From the audience came questions: When will Congress pass a pending bill to provide vocational training, retraining and compensation for unemployed? ("Next session.") Why did we sell jet planes to Yugoslavia? ("Because it's better to try to keep the country neutral than to have it join Russia completely.") Why aren't there more courses to teach people what communism is? ("There should be nonpartisan courses. Ignorance is widespread.")

One morning at Kansas City's Border Star public school, seventh-grade pupils peppered Mr. Bolling with questions about civil defense, nuclear bombs and communist strategy. He tried to reassure the youngsters with such remarks as: "The only way to prevent nuclear war is to be extremely well prepared to fight it."

"Fallout shelters are certainly worth having. Our dilemma is that suddenly many people all over the country are excited about civil defense and getting accurate information to everyone is difficult."

Before the opening session of the Missouri Association for Social Welfare, Mr. Bolling noted that we live today in a time of terror, but also a time of testing for our society at home and abroad.

"People tell us in constant refrain that we can't afford to do what we should do for the needy, the aged, the unemployed. But we will be judged abroad on how well we take care of our own people."

#### **Green Bay worries**

Travel across the Midwest plains to a town one tenth the size of Kansas City—Green Bay, Wisc.—

Rep. Bolling has served his big city-suburban constituency in Congress for 13 years

and you will hear many of the same anxious questions about America's foreign and defense policies. You will also find citizens at the same time absorbed in their personal problems and wondering what the federal government should or shouldn't do for them.

Three subjects were on Arthur Wadzinski's mind when he eased into a chair in Congressman Byrnes' sparse office one rainy afternoon. As a partner in Pecard Chemical Co., which makes protective shoe dressing and shoe oil, he wanted to know how to sell his products to the military services.

As a teacher and president-elect of the Preble District Teachers' Association, he wanted Mr. Byrnes to know that he was against federal aid to schools, but that there was a

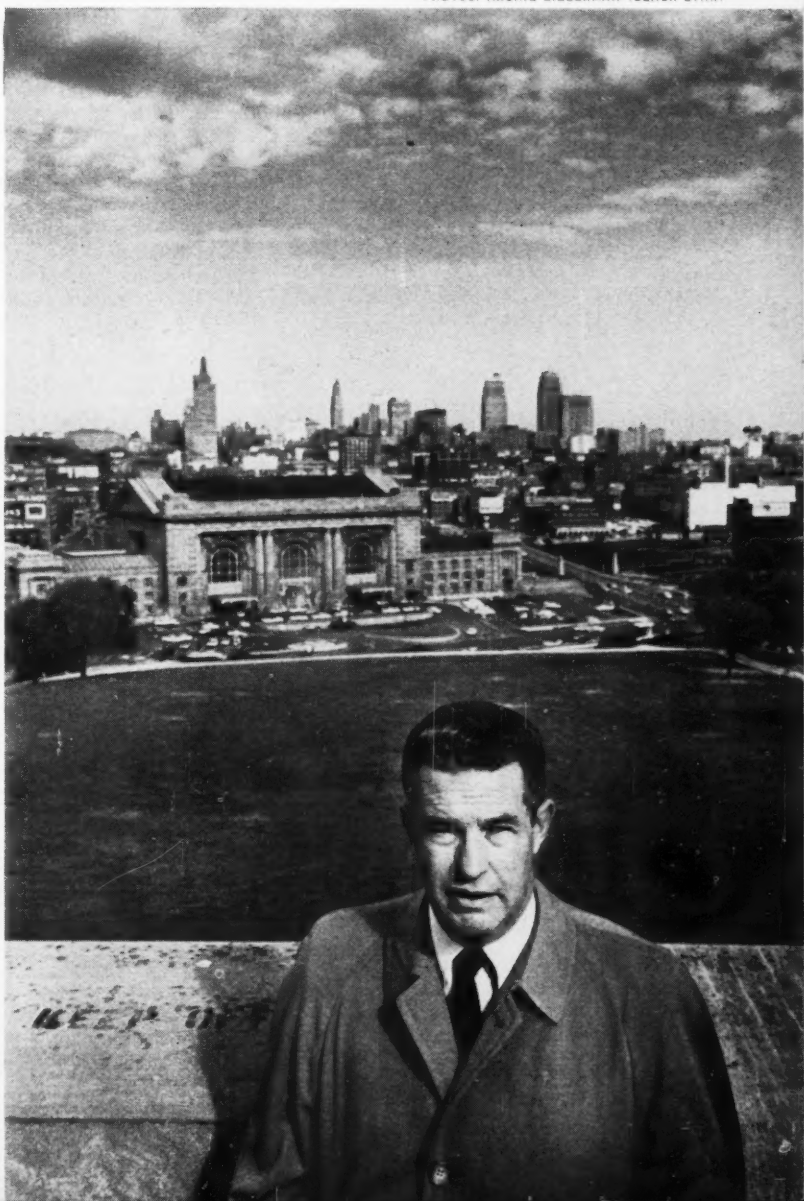
need for more local concern with the status of the teacher.

As a citizen, he expressed his concern about U. S. foreign policy. "As pupils of history, many of our teachers feel we are not as much on the offensive as we should be."

Mr. Byrnes told the teacher-businessman: "We've got to realize that Russia and her aggressive tactics are in the main to blame. But the United States has lost respect because we've procrastinated and backed up. We leave the world wondering if we mean what we say about defending freedom. We're not effectively carrying the torch. Every great civilization has grown through determined positions and struggling to achieve a mission."

"Of course," he added, "there's a lot the average member of Congress

PHOTOS: ARCHIE LIEBERMAN (BLACK STAR)





## CONGRESSMEN

*continued*

doesn't know or shouldn't know. The executive department must take this responsibility."

Constituents come to ask Mr. Byrnes if they can qualify for deferment to put their affairs in order before being called into the service. They come to ask why we permit communist propaganda to come into the U. S. They come to complain about tax provisions that benefit some but not others. They ask him to help them straighten out a tangled case before the Railroad Retirement Board. They object to social security payments being counted as income in figuring veterans' pensions. They say they don't want to pay higher postal rates. They wonder if the Small Business Administration makes loans to the smallest businesses and who sets qualifications.

They even ask how much trust they can put in what they see on television and read in the press.

To those who find trouble dealing with the complexities of federal government, Mr. Byrnes says:

"A great deal of our frustration results from the fact that everything has moved to Washington. Every time there is a problem, we say 'Let Washington handle it.' Federal gov-



Rep. John W. Byrnes makes contact with his constituents a two-way exchange of ideas so he can serve them better

ernment has gotten so big you just can't get quick and efficient action. In years past, you didn't have the mass of different departments and agencies; your city council or county or state officials took care of public problems. When you let Washington do it, you can figure on taking orders from Washington.

Contact with constituents is often a two-way exchange of ideas. When a young man seeking employment in the international field said he had just returned from four years in Saigon, Mr. Byrnes pumped him for

information on the precarious status of South Vietnam. From union men, employers, and farmers he inquired about the state of local business.

Two themes are stressed in his talks before civic or political groups: foreign affairs and federal spending.

Listen in on his speech to the Green Bay Rotary Club:

"The nation's crises stem from the implacable determination of the communists. But the way we have responded to the challenges has aggravated the situation."

He told the club that when he at-

A. N. Brunson (left) president of Brunson Instrument Company, shows his congressman, Richard Bolling, through his plant, carved out of a limestone cliff near Kansas City





tended an international conference of members of legislatures and parliaments in Brussels, he was shocked to find the delegates cared little what the U. S. thought, but were mightily concerned with Russia's attitudes. Mr. Byrnes continued: "The U. S. is losing its reputation as a big power. Mr. Kennedy makes fine speeches, but they fall on deaf ears."

The President, Mr. Byrnes recalled, said we must maintain our rights in Berlin. But 18 days later, we watched as communists, in violation of our rights, built their wall and divided the city in half.

"We have got to stop this piecemeal surrender."

Mr. Byrnes said the people in Berlin told him in October they "couldn't understand this display of U. S. weakness. They are convinced that if we had knocked down that wall, the communists would have backed down."

Since the Soviet challenge is total—economic, psychological, social, military, political and moral—and since it is a long-term challenge, we can't afford to spend ourselves into bankruptcy, he warned.

Our defense expenditures are heavy and mandatory. Billions have been spent on an antimissile missile. Some \$8 billion to \$10 billion more are needed to make it operational. Some \$24 billion to \$40 billion is to be spent for outer space during the next decade.

We'll be hard put to raise the revenue to pay for this, Mr. Byrnes argued. The Administration made 175 recommendations for increased spending. But in times like this, we must establish priorities. We must have fiscal discipline.

With a budget deficit that will total \$8 billion to \$10 billion, he said, it is absurd for the federal government to give money to "depressed areas" that don't know they are depressed. It is absurd to guarantee 40-year loans on construction that will be almost totally depreciated in 25 years. It is absurd for the federal government to build sewers for communities able to do so themselves.

No one knows what the projected cost of most of these "installment plan" programs will be in two or three years, he told his audience.

Around the country, as in Kansas City and Green Bay, other members of Congress have likewise been telling and testing, answering questions, raising other ones as the nation forms its opinion of the new Administration and decides what it wants its government to do next in this perilous time. **END**

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## AN INTERVIEW WITH ROGER BLOUGH

*continued from page 43*

solutions for the problem of union power. The question has been studied by a lot of people. I think the ultimate solution has to be with the union members themselves. There has to be an appreciation, on the part of union members, of the real source of their welfare. To gain the advantages of production you have to let the competitive system operate—without interference.

I realize that it may be difficult to convince the average worker that a five or 10 per cent immediate pay increase is less important to him than some kind of over-all long-range result.

But if you keep on getting wage increases that are too high, you are bound to have inflation. Workers in countries where inflation has run rampant understand this.

**To what extent will business competition increase?**

There are many ways of looking at competition. For example, the steel industry now has more competition from, let us say, cement than it had five, 10, or 15 years ago. That type of competition varies.

The meat industry may have a certain type of problem at one time. At another time the coal industry may have a problem. The railroads may have a problem of competition related to regulation and still be under severe competition from other forms of transportation.

The competitive spectrum will undoubtedly widen in the years ahead.

**Do you feel that competition from other countries will increase?**

There is no question about it. A

tremendous wage-cost advantage is enjoyed abroad.

In the steel industry, hourly employment costs in this country range from three to seven times those in competing countries.

**As time goes on will the gap in employment costs tend to close?**

I would hope so, but in the past few years the gap has widened.

A lot of people say that wages have gone up in some countries in Europe five per cent. But five per cent of \$1 is five cents; five per cent of \$4 is four times as much.

When you translate that into a cost reflected in the price of steel, you have a definite disadvantage in this country. Our hourly employment costs have gone up \$1.48 over the same period that costs abroad went up about 35 cents.

**What can American businessmen do about rising costs?**

First you can work on the factors that are constantly boosting your costs—and see if you can get a little more reason into that situation.

The second thing you can do is to improve the research effort in the product you are selling and the methods you use for production. That is a fruitful way of trying to cut your costs.

Another thing you can do is to improve your financial condition so that you can borrow money to get new equipment and thereby reduce the cost of future operations.

**Are you able to raise productivity fast enough to keep pace with rising costs?**

The history of the steel industry is an open book. Without price increases, the rising costs incurred—primarily employment costs, although there are other costs—would have long since put us out of business.

Look at it this way. When output per man-hour is going up at the rate of about two per cent and your employment costs are going up at the rate of eight per cent, you have to do something to fill the gap. That was the real reason for price increases during the past 20 years.

Another result is lower profit margins.

Profit margins vary widely. There are constant changes in position among companies within any industry. This, of course, can be illustrated by steel. But it's happening in all lines.

**What would you call a reasonable profit?**

The only way I have heard it suc-

cessfully defined is to restate the story of Abraham Lincoln when he was asked how long the tail of a coat should be. He said it should be long enough to cover the subject.

You can readily see that the tails of coats vary considerably.

I haven't in mind any particular fixed amount of return as being desirable. It has been my experience that there never has been a time when the competitive factors didn't keep profits quite low—and most of the time too low.

**Are business profits adequate to pay for the modernization and cost-reduction equipment needed to overcome rising costs?**

No.

The best way to improve productivity is through better equipment. To keep this country competitive, the profits of American industry will have to improve.

The business dollars devoted to paying wages, paying taxes, and the like, have greatly increased in number during the past 10 years, but those dollars left as profits to provide new and improved machinery, pay dividends, and pay debts have remained substantially the same. In an inflationary period, that means profits have gone down.

Taxes have gone up immensely.

If you want a growth rate that compares favorably with other countries, you have to put more dollars into growth—more dollars into new and better equipment, into the job-providing materials and equipment that go to help people who are working.

As profits shrink there are fewer job opportunities.

**The way to faster economic growth, then, is to boost profits?**

There is no question in my mind—that is 100 per cent correct.

If we continue in the direction we have been going, things will not go well for business or for employees—or for the tax collector. The competitive position of the country in comparison with other countries will suffer.

But to sit on your hands or to wring them in the vain hope that someone is going to bail out American business is about the poorest way to proceed that I can think of.

Every management and every business has to try to solve this problem for itself.

Working out solutions to problems like these is primarily a job for management. It is part of the work for which management is paid.

I see no reason to get disheart-

ened about it. However, I do believe that we have to work harder at it than we have worked so far.

**Would you advocate a drastic tax revision?**

In many areas the tax laws could be improved. Of course, that is not a new idea. Congressmen, senators, and a number of people in the Administration have suggested that we need a complete overhaul of our tax laws.

One thing should be done immediately. That is improve the depreciation laws.

**What is the outlook for inflation?**

I would hope and expect that we would have less inflation during the next 10 years than we had during the past 20.

Immediate evidence to support that idea may be somewhat hard to find. But you can find some indications that point in that direction.

**How do you assess the government as a force shaping the business future?**

Government policies certainly have a bearing on what businesses can do. If you ask my assessment of this Administration, all I can say is that you will find policies that seem to point in both directions.

Government policies, including policies with respect to labor relations, I think, would be a real answer as to whether we will or will not have inflation.

**Do you believe government is pursuing a policy that is in the best interest of business?**

Your question raises a number of questions. I don't think governments pursue policies that are supposed to benefit business as such. They pursue policies that assist or do not assist the people that compose businesses, to accomplish desirable ends.

**Do you think the present government is antibusiness?**

I have a difficult time lumping all the attitudes in Washington into one category. I am sure that many high officials in Washington understand the vital role that business plays in America. There are very many officials who believe that business must play that role and must have the conditions which will permit it to play the role successfully.

**Do you expect a steel strike in 1962?**

I hope we will have a reasonable settlement. I hope we do not have a strike. As to government participation in negotiations, I haven't the slightest idea what government will try to do. **END**



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continued from page 41

## "The faith of our fathers must live on in the dreams of our children"

they put their pens to that paper. They had to weigh each word because they were standing before the bar of the European world's judgment and the bar of future history. How much of all that original stirring of soul and risk of life is appreciated today by the millions of Americans?

Today we read a great deal about the cold war between the so-called free world and the dictator-ridden lands. While some become fanatically embittered and mentally blinded by the danger, the great mass of us go on immersed in our individual interests in getting ahead and having a good time. Most of us do not give much thought to what we believe in and the deeper sources and safeguards of our freedom.

Do we quite realize what it would be like to live in a land whose rulers recognize no divine authority above their own? In a land whose dictators

could decree tomorrow that the rights of today are invalid? In a land where persons on trial for their lives could appeal to no moral authority but were at the mercy of the party leader who was trying them? This is a basic point which must not be overlooked when Americans and Russians are conducting industrial expositions and comparing commercial products. The difference between the countries is not to be measured merely by the efficiency of machines or the power of of missiles.

This is a nation "under God," as we say in saluting our flag. Let us learn for ourselves and demonstrate before the world what the Psalmist meant when he declared, "Blessed is the nation whose God is the Lord."

Our Declaration of Independence begins by asserting that our ideas of our rights derive from our belief

in God. "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable rights, that among these are life, liberty, and the pursuit of happiness. That to secure these rights governments are instituted among men, deriving their just powers from the consent of the governed."

This statement makes clear that the individual is no pawn of a totalitarian state. Governments are made for man and not man for governments. God creates man with certain rights which governments cannot take away.

"Our fathers brought forth on this continent a new nation, conceived in liberty and dedicated to the proposition that all men are created equal." Not equal in ability but equal before God and the law; a new nation in which the majority rules but every minority has the right of peaceful persuasion; a nation in which the oppressed have the right of appeal and the accused have the right to be tried by a jury of their peers; a nation where citizens can worship God in the church of their choice and youth can choose their careers without the intervention of any dictator.

Liberty is not a legacy left to us

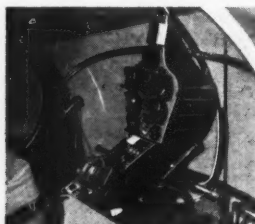
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in perpetuity by brave patriots of the past. Freedom is an achievement which each individual and generation must earn and preserve.

True liberty consists not merely in being free *from* something, but also in being free *for* something. God is the "Author of liberty," because He safeguards not only our rights and our idea of right, but also our responsibilities.

The late John Foster Dulles once told the National Council of Churches, "Freedom is a satisfying and contagious concept only as freedom is put to good use. Otherwise a life of freedom becomes a life of boredom from which men seek release at almost any price."

Ours is a country founded on the belief in freedom of thought and speech. But the privilege of speaking publicly carries with it certain responsibilities and restrictions.

I am restrained from saying some things by a sense of propriety and decency. A teacher in our so-called free public schools is not at liberty to say or teach anything he pleases. If he were to advocate communist doctrines, he would be ousted. If I were to teach sectarian doctrines about God, the churches and synagogues would object on the ground of separation of church and state. If

I were to teach free love, the moral forces of the community would reject me.

Let us see that God is the Author of liberty because He safeguards our ideas of right as well as our rights. There is a spirit of the law as well as a letter of the law. There is a spirit of government as well as a constitution for governing.

Eve Curie in her "Journey Among Warriors" wrote of interviewing the first German prisoners captured by the Russians. She asked them if they thought Hitler was right when he invaded Poland. They promptly answered "Yes." She asked, "Do you think he was right when he invaded France?" They replied, "Yes." Then she said, "Do you think your Fuehrer was right when he marched into Russia?" Being prisoners of the Russians at the time, they admitted that he made a mistake there.

From her conversation, Eve Curie distilled the conclusion that in the Nazi philosophy whatever seemed to succeed was right and whatever seemed to fail was wrong. Such reasoning is contrary to Christian thinking. Belief in God tells us that some things may be wrong even though they are popular and successful, and some things are right

even though they appear at the moment to fail or are unpopular.

The moral man tests the rightness of his actions by the standards of God. He tries to follow the Scriptural injunction, "to speak and act as those who are to be judged by the law of liberty." This law restrains him even when the statute laws may not.

#### **What we must do**

If we are to preserve freedom in this land, we must recover our sense of personal responsibility and morality. Liberty has both statute laws and moral laws. We must either learn to observe these laws through self-discipline or we shall lose our liberty through governmental restraint or dictatorial regimentation.

Thus in a free land we must operate under the law of liberty regulated by our external laws of restraint, by our sensibilities as refined persons and by our responsibilities as worthy citizens to uphold what is right whether or not it is politic or popular.

Americans have helped to breed some of the world's unrest. Our movies, radio and press carry the report of our comfortable, even luxurious, life to the ends of the earth, and other people are made





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So there's P-E-T-E—and once you have all those elements together, they're bound to be followed by **PROGRESS**.

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Speaking for progress through voluntary organizations

## MORALITY

*continued*

envious. Let us try to use Christ-like imagination to see how life looks to people of other races and nations.

Recently when I saw the hungry children of Chinese refugees in Hong Kong, I thought how I would feel if my little grandchildren were living like those refugees.

Where is the good sense and the good will to use God's bounties for the good of His children? Greed and rivalry bedevil our world. The question that stares us in the face is: Can free governments survive in a world like ours? Surely not, if the citizens, anxious and busy about their petty and personal concerns, do not sit down and learn from God what is vitally needful.

We know that man will strive for private gain because we see what

**Next month:** Qualities of Victory, Part 3: Work, by Dr. Edward H. Litchfield, Chancellor of the University of Pittsburgh, and Chairman of Smith-Corona Marchant, Inc.

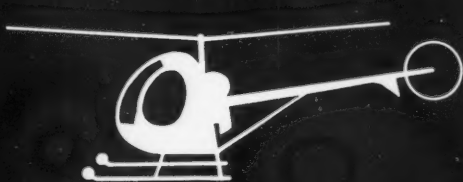
brilliant achievements our competitive business has achieved in America. We know, too, that men will die for the public good. But in the long run, will the average man live for the public good? There is the test we must meet if free men are to survive.

Our task as Americans is to help the world find not only enough to live on but enough to live for.

The late historian, James Truslow Adams, said that America's greatest contribution to the world has been the American dream, which he defined as the dream of a land where life shall be richer and fuller and better, with opportunity for every person according to his ability and achievement.

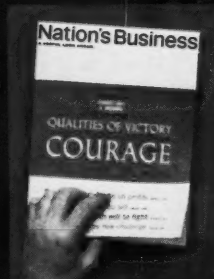
This is the dream on which my generation was nourished and we must dedicate ourselves to see that the faith of our fathers shall live in the dreams of our children. **END**

**REPRINTS:** "Qualities of Victory, Part 2: Morality" may be obtained for 10 cents a copy or \$7.00 per 100 postpaid from *Nation's Business*, 1615 H St. N.W., Washington 6, D. C. Please enclose remittance.



## GOING PLACES

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# WE PAY OUR OWN WAY

## City leaders act to maintain independence

MANY CITIES are proving that they can solve their own problems quicker, cheaper and better without federal bureaus telling them what to do.

Among the cities that have shown that this is true—and also why it is true—is Midland, Mich.

In two official actions this chemical center of almost 30,000 people in central Michigan revolted last summer against the widespread philosophy that federal aid costs nothing and therefore should be sought at all times.

The City Council voted unanimously not to reach for a federal subsidy to help build a new \$2.7 million sewage treatment plant.

The Board of Education decided to discontinue Midland's participation in the federal-state school lunch program, thereby giving up almost \$12,000 in federal-state money and surplus foods.

Midland traditionally has relied on local initiative and cooperation with surrounding communities to satisfy local needs.

Midland, Bay City and Saginaw, for example, got together and built the Tri-City Airport's administration building without federal funds.

Midland and Saginaw together built a water pumping station on Lake Huron without federal funds.

The tri-city area is even squeamish about using state funds for strictly local facilities. When the need was felt for a local college, the three cities got together and taxed themselves to build their own. Delta College, centrally located, opened its doors to 1,900 local students in September.

"These three cities are trying to solve mutual problems together," points out C. E. Arnold, manager of the Midland Chamber of Commerce.

"Our whole thought is that we should stand on our own feet and pay our own way. Whatever you get back from the federal government you get back at a reduced rate.

"There is always a brokerage fee to be paid along the way.

"Moreover, you can't get back from the government what it does not have. Whatever it provides it must get from the people.

"When you do it yourself without federal tax dollars, you make your own plans, dictate your own terms, and get what you want."

City Manager Ray Fry gets more specific. Rejecting federal assistance, he says, "gives the community more latitude to build what its particular re-

quirements dictate. In the new sewage treatment plant, for instance, we can build in certain new features which are not found in the standard plant the federal government requires."

Council member H. C. Allison believes the council simply reflected the attitude of the people in rejecting federal help.

"America's greatest asset is the initiative, the responsibility and the creativeness of the people acting as individuals," he says. "This city has grown and prospered by acknowledging these values.

"We strongly advise any community to be objective about considering use of federal aid. They should ask themselves what is the cost over and above the dollars involved.

"We think that federal aid tends to destroy initiative, responsibility and creativity—the moral fiber of America."

A week after rejecting federal aid for the sewage treatment plant, the five council members unanimously adopted a statement explaining their position, and urging other public bodies in Midland to take the same stand.

The statement, headed "Midland Policy on State and Federal Aid," says:

"We believe:

"Strictly local projects should be taken care of locally unless the necessity is caused by events beyond local control.

"State and federal agencies should only consider participation in the financing of those projects which are of state or nationwide concern and for the relief of distress that is caused by conditions beyond local control.

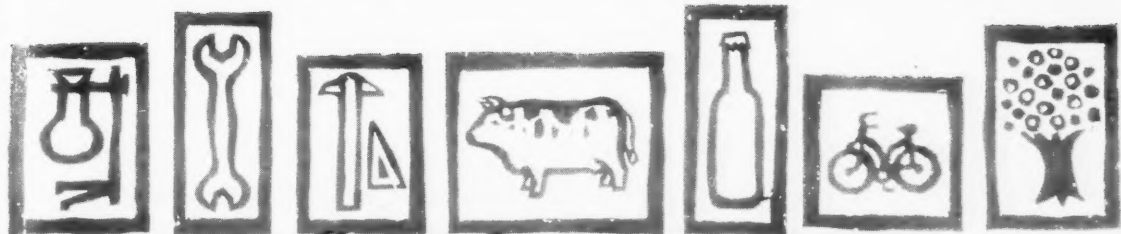
"State or federal taxes levied for specific purposes, to be shared locally under specific formula, are not considered under the general title of federal or state aid or grants-in-aid.

"State and federal aid has its place in financing disaster relief, road construction, airport construction, and similar projects which are used by or are important to people outside of the local area. There are instances where assistance in developing areas which have potential importance to the state or nation is justifiable.

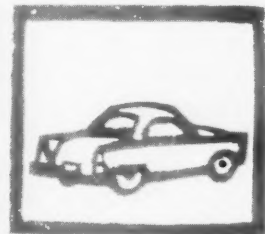
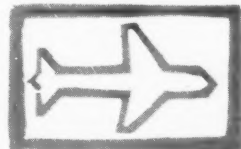
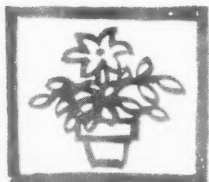
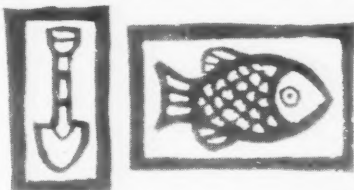
"All officials, county, city, school and township, should adopt a similar stand and refuse outside aid in performing what is normally a function of their unit of government."

END





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# WHAT'S AHEAD FOR YOUR STATE

AMERICA is soaring toward new records in the 1960's—in population, personal income, and manufacturing employment.

By 1970, it's estimated the population will grow some 30 million—to 210 million. Per capita personal income will likely be more than \$3,000 a year, compared with \$2,242 in 1960 and only \$1,491 in 1950. Manufacturing employment, now about 16.4 million, is expected to top 20 million in 1970.

The national gains, however, will not be distributed evenly among the states. Birth and death rates vary from state to state, and five million people move from one state to another each year.

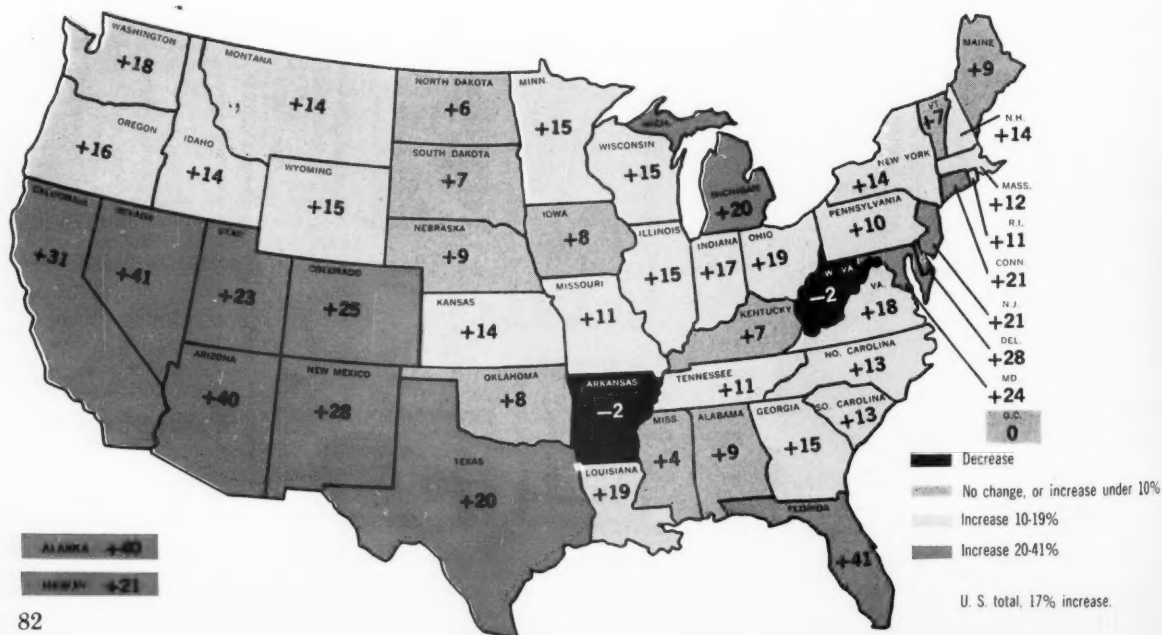
You can check the outlook for your state's population change during the 1960's in the NATION'S BUSINESS projection below.

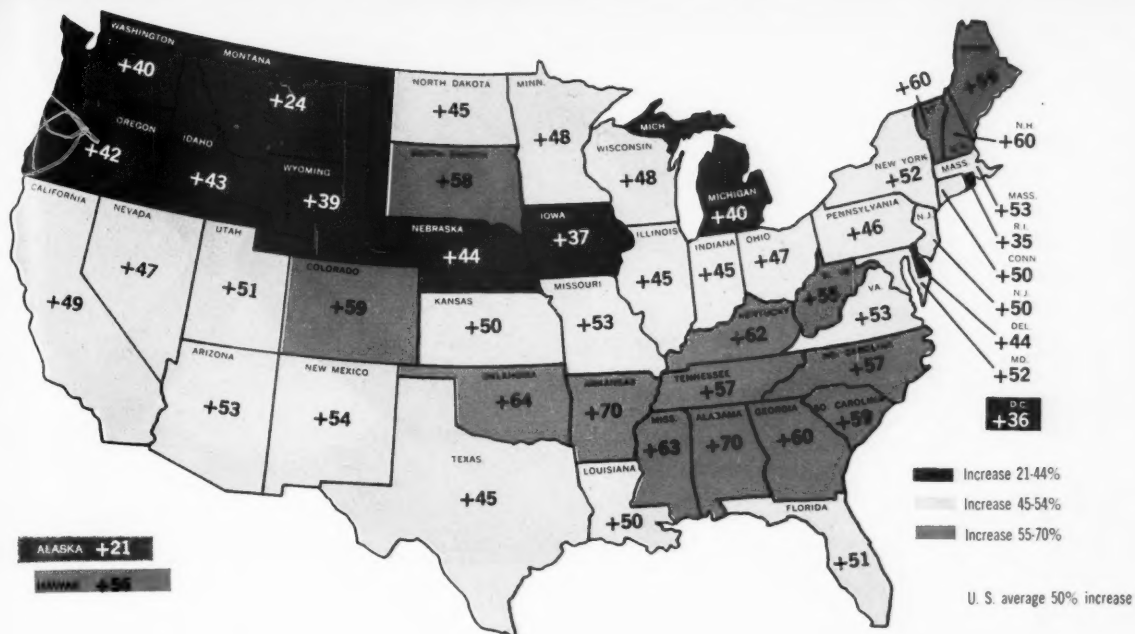
The two maps at right offer clues to how individual states may fare in personal income and manufacturing employment.

**CHART 1.** Estimated population change, 1960 to 1970, as percentage of 1960 population

Population is expected to increase in all but two states during the 1960's. Alaska, Arizona, Florida, and Nevada probably will have increases of 40 per cent or more. Four other states—California, Colorado, Delaware and New Mexico—are expected to have in-

creases of 25 per cent or more. Other leading gainers will include Connecticut, Hawaii, Maryland, Michigan, New Jersey, Texas and Utah. The District of Columbia may register no change, while Arkansas and West Virginia may lose population.





**CHART 2.** Change in personal income per capita, 1950 to 1960, as percentage of 1950 income

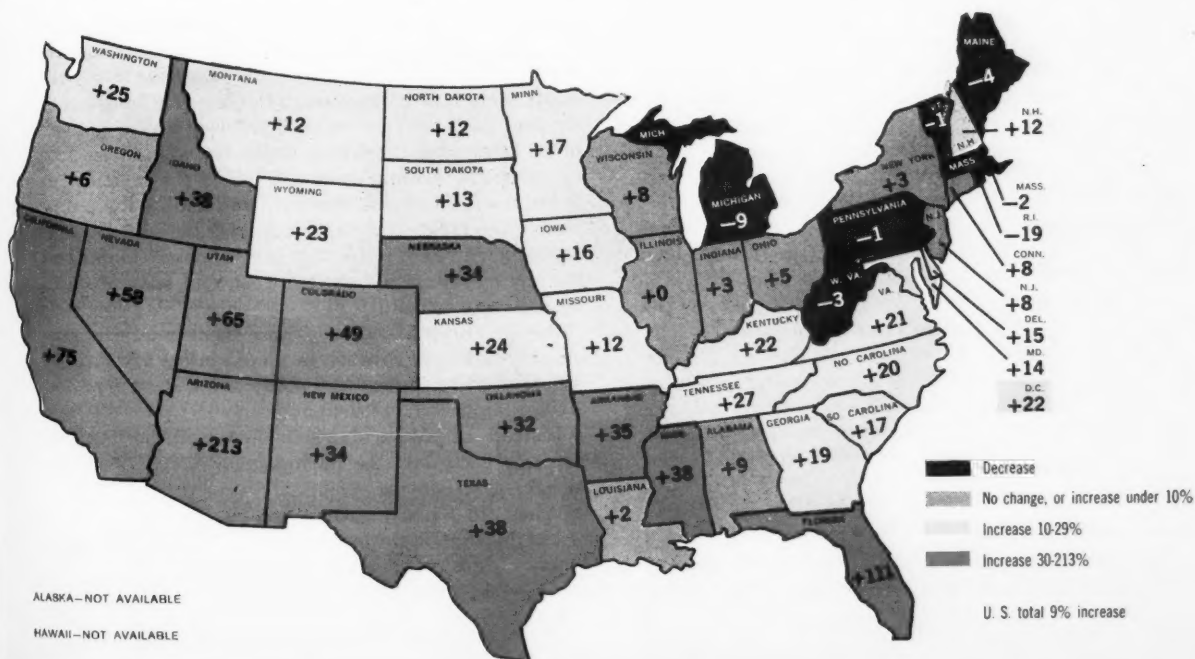
Past performance offers clues to future trend in personal income. The per capita level rose in all states during the 1950's. Alabama and Arkansas had 70 per cent increases, while Georgia, Kentucky, Missis-

sipi, New Hampshire, Oklahoma and Vermont registered increases of 60 per cent or more. The smallest percentage increase was in Alaska, up 21 per cent, and Montana, up 24 per cent.

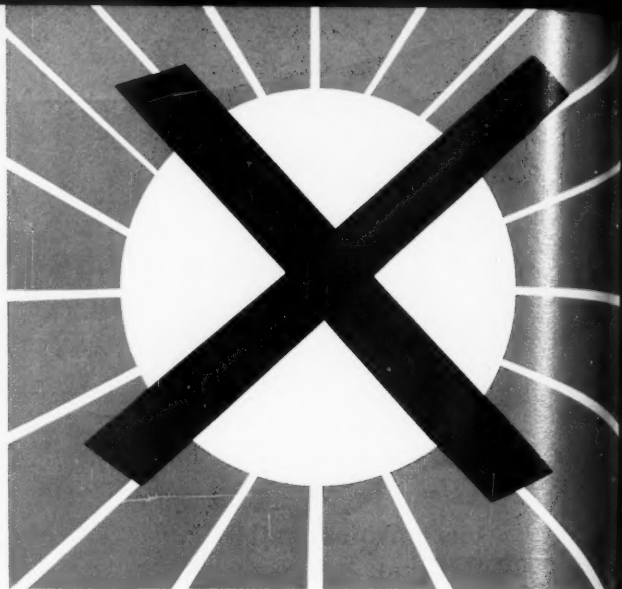
**CHART 3.** Change in manufacturing employment, 1950 to 1960, as percentage of 1950 employment

Manufacturing employment increased in all but seven states during the past decade. Greatest percentage increases were in Arizona, up 213 per cent, and Florida, up 111 per cent. California, Nevada and

Utah had increases exceeding 50 per cent. States losing manufacturing employment included Rhode Island, down 19 per cent; Michigan, down nine per cent; and Maine, down four per cent.



# NEW WAY TO STRETCH TIME



Specialists say businessmen fret too much over clock pressure

ADVICE on how to budget time has left many businessmen confused. Interviews with 80 executives who have tried to improve their daily schedules show that a great majority feel they have had little success.

"I feel more tense and harried since I began setting aside certain hours for different tasks and fixing daily goals for myself," says an appliance company executive whose comments are characteristic.

Probing the reason why this universal problem remains unsolved for three out of four executives, several psychologists have hit on a simple answer: Most of the advice that has been given to businessmen overlooks differences in people and in jobs.

For some men and for some responsibilities, the suggestions to fix a certain hour for dictation, a time for seeing visitors, and a time for reading are applicable. In other cases, they are as inappropriate as advising a bullfighter to speed his work by using a rifle. They miss the point of most managerial jobs—which is not to produce letters or reports, but to produce results.

#### **New unit of time**

Because the terms "scheduling" and "management of time" have a ring of efficiency about them, most

conscientious executives have been moved to take some of this advice. The businessman has become almost psychotic on the subject of making every minute count. Warnings about health-destroying tension make him explore new ways for budgeting his work hours. "He half hopes that, by cramming more activity into each day, he will leave fewer things undone to be tense about," says a physician who specializes in executive examinations. "This is the cruelest of delusions. In business, the more you do, the more new tasks you create. Most managerial activity is self-reproducing. That's the way it's supposed to be, and the myth that every executive should have a clean desk is very harmful."

As an antidote, some management analysts now believe that most executives should adopt an entirely different unit of time—that a day is too short a period for meaningful measurements.

Instead of asking himself how well he budgets his time each day, the businessman would do better to ask:

What did I really accomplish last month?

This new attitude may also help you in managing others: More emphasis on long-term results can dissuade your subordinates from the wasteful practice



## Here's their antidote

of trying to impress you with the amount of work they do. When it is known or sensed that the company is interested only in accomplishment—the waste of time, paper and money on superfluous phone calls, letters and reports will slacken.

Doctors and psychologists agree that these elementary facts are important:

1. Executives differ—the tidy office and neatly woven schedule doesn't suit them all, any more than the same wife would please each of them.
2. Jobs differ—one may have deadlines and quotas that make a certain level of steady industriousness necessary, while another puts the emphasis on occasional bursts of achievement.
3. For most men and most jobs, important progress is seldom the result of a huge work output. The quality of work counts much more, and using every minute may simply reduce the chance of accomplishing anything noteworthy.

Here is a summary of the reasoning behind each of these points:

### **Differences in people**

Many a man is unhappy when he has not answered every letter on the day it came in, read all his trade

journals and completed his monthly reports. Such a person usually is the kind who does all those things anyway. He doesn't need to be prodded—except, perhaps, to remind him what an exemplary fellow he is.

Many more people feel restless and incomplete when their desks are messy, but only because society has almost convinced them that this is wrong. Some of these people are really inefficient. Many others take care of important things first and let only the trivia lie over for the future.

Urging this kind of man to change his ways may be a prescription for mediocrity. More than one such person has been altered from a creative, aggressive individual with an untidy office to a sterile paper-pusher in neat surroundings.

The case history of an executive in the machine-tool industry illustrates this. Twelve years ago, he joined a young, growing company and soon began to rise. The firm's president was an inventor with lax notions about hours and schedules, but a great appreciation for good ideas. The newcomer had plenty of these, and soon was put in charge of a newly formed division.

Then came a top management shuffle. A man who lived with one eye on his wrist watch became executive vice president and all division heads reported to him. The new leader was extremely competent. His careful scheduling worked perfectly for him. But as he slowly bent the ways of his subordinates toward his own, the young executive who had once been so creative began to lose effectiveness. First he became erratic, showing flashes of his old ability amid long stretches of stagnation. Then he gradually adapted to being the most punctual meeting-goer and prolific report-writer in the company.

After several years of dissatisfaction with the results of his division, the company named a replacement and shifted this man to the job of heading up product development. It is a spot in which his old energy and inventiveness can show through again. But so far, they haven't. He keeps producing detailed reports about research efforts, but no results that can be turned into production items. He seems slated for another demotion.

### **Differences in jobs**

Look next at the infinite shades of difference in work assignments. As a rule, it is the junior executive who needs most to follow a tight schedule, with the pressure for punctuality lessening further up the line.

If a trainee is given charge of a group of order clerks, he must see to it that a specified volume of work is done. For the order department a steady, prompt flow of fulfilled requests is important.

Even in this circumscribed area, the managerial job

## Results more important than sticking to daily schedules

may vary. If the young trainee is put on to see that the clerks work steadily and accurately—if, in short, he is really a supervisor for the time being—his own job also becomes a matter of promptness above all.

But if he is supposed to improve the work flow, his job is to observe carefully and think quietly and straight, so that next week or next month, when he does recommend a change in procedure, it's a good one. Pushing to get a certain amount done quickly on this kind of assignment is a serious mistake. It usually results in many suggestions crisscrossing, and a great many wasteful changes.

When there can be so much variety between two phases of a single job, it is even more hopeless to make the same kind of time budgeting apply to the sales manager, the advertising executive, the plant manager, and the company president. Each category has its own special demands, and each in turn varies by industry.

When a man rises to high policy-making levels it is the occasional big idea he produces that really counts.

It has been said that an executive is, at any given moment, either enormously overpaid or sadly underpaid. Much of the time he is involved in correspondence or talks or detail work.

Only a few times during a month is he likely to be called on to solve, devise or decide in a way that makes him invaluable.

The fact that an executive need not count his minutes like a miser counting coins does not mean that he should scatter those minutes to the wind. He knows the company's problems and goals. He knows his part in meeting them. Each month he should set targets to shoot for.

These targets should be few—never set high as a spur. The high-quota technique has often been shown to work as a frustration rather than an inspiration. But there must be targets.

The new attitude is not an excuse for less work, but for more relaxed thought and planning.

The danger that monthly mileposts will cause aimless days in between is negligible in the man who

has already reached executive levels. He is so used to focusing on company problems that he will not now suddenly become an idle day-dreamer. Instead, men who stop worrying about each day's results find that the quality of their thinking and planning improves. They concentrate better, take up one subject at a time, and polish it like a good craftsman before turning to the next.

Months also have this merit as basic units of time: They can be divided into bigger and more efficient parts. If each day must make room for five or six types of activity, much of it will be lost in changing gears. When you think in monthly terms, you can set aside half-days, whole days and even several consecutive days for certain tasks. That provides enough time to follow through with maximum effectiveness.

Take as an example the press of reading matter about which many executives complain. Some managers try to conquer this by setting aside certain times each day for reading. But most of them find it irksome to get into the reading mood and then drop it in 30 or 45 minutes. A longer period, perhaps three or four hours each week devoted entirely to reading, is much more satisfying. Because your mind is not so obsessed with time, you concentrate more efficiently and get more real profit from what you read.

### Three case histories

Will the monthly measurement fit every executive job? No, certainly not without bending and adapting it. Some jobs have built-in deadlines that must be met oftener than once a month. Almost everybody has to reckon with sudden visits, phone calls and personal emergencies. The whole aim of this new approach is to provide flexibility.

Changes and interruptions are less jarring when they are diluted over the long term.

Let's look at some men who have recently tried this system:

The controller of an auto parts manufacturing company says: "I used to have daily talks with at least

four men—the head of the accounting department, our chief cost accountant, an assistant controller who watches our cash position, and the data processing chief. This meant that at least half the day was taken up with routine contacts. Since there were usually a few special problems or unexpected visitors, there was seldom time to do anything new.

"Now I'm trying to have longer talks with each man, but only once or twice a month. I ask him to come in with a list of the things we have to talk about, and we may spend two or three hours clearing them up. On cash position, which must be watched regularly, I set upper and lower limits and tell my assistant to see me only if it moves out of that range. This way, there are often several days running when I am almost entirely free to explore new tax angles, think about investment opportunities for some of our surplus capital and our pension fund, or get together with heads of operating divisions to improve our statistical control. I have no fixed schedule any more, but I'm getting a lot more done."

The international division manager of a drug manufacturing company had been spending three fourths of his days on correspondence, talks with staff members, and clearing of miscellaneous in-basket items.

He confesses that each day ended with the feeling, "When will I ever get to do any new planning for expanding our operations?"

Now he tries to put as many things as possible on a monthly basis. This is limited by two weekly items: a top management meeting every Monday morning; and the need to dictate letters at least once a week, because correspondence with overseas branches can't accumulate for a month. He sets Wednesday aside for dictating. But on other days, barring emergencies, his secretary doesn't even bring in mail or other in-basket material.

One month, a major goal was to develop new ideas for foreign areas where his company might increase its markets. He wanted to talk with other international executives to gather ideas from their experience. Instead of the customary isolated appointments that businessmen usually sandwich between other office activities, he made dates to see seven key men of other companies on Thursday and Friday of one week. Several of these talks pointed to the advantage of operating in some countries by granting patent

licenses to foreign firms. He cabled the branch managers overseas to sound them out on the new approach, then met with assistants on the following Thursday and started pulling the whole plan together. By Monday morning, he had a rough outline for action ready to submit to the top management group at its regular meeting.

Although high-level executives have more flexibility to work things out this way, the same principle can be applied in most middle management jobs. The manager of a small bank branch was skeptical because he has to devote several hours of each day to talking with customers about new accounts, loans, collateral, and the like. These personal contacts have to be handled whenever the customer appears and there is no practical way of rescheduling them. But the branch head agreed to try taking a longer-term view of his strictly managerial duties. He had

safe deposit vaults could take over the sale of traveler's checks.

► If so, transfer the extra man to the note teller's department.

Under the new plan, the branch manager began by picking three subjects that could affect the greatest number of bank customers—parking, lunch hours, and drive-in window. He decided to aim at solving only those three problems in the month ahead—putting all the others out of his mind entirely.

By first concentrating every spare moment on the neighborhood parking problem, he concluded a deal within ten days to have a parking lot in the next block take care of clients' cars.

He next had two afternoon sessions with the head teller, discussing the problem of tellers' lunch hours, and they agreed to experiment on a variety of new schedules for the next four weeks until they found the best one.

Next, he posted a sheet of paper near the bank's front door, asking customers to sign if they would like to see a drive-in teller's window added outside the bank. Within a week it was clear that interest in drive-in service was less than expected. Most customers preferred to use the new parking lot privilege, which often enabled them to do another errand or two in the 30 minutes free time allowed.

So, with the trial month only a little more than half over, this manager had cleared three problems from his list and had taken a real step toward providing better service.

Try these three rules for the month ahead and see how the results compare with your old way of budgeting time:

1. At the start of the month set your goals for the 30 days ahead. Don't shoot for more accomplishments than you expect to achieve; aim slightly below what you consider a reasonable expectation.

2. At the close of the month ask yourself what you accomplished. Accept no excuses for failure, least of all the excuse that you tried hard and worked hard. Attempts and lost motions don't count—only results.

3. In between, remind yourself regularly of your current goals. But don't try to gauge how much ground you are covering or how much more must be done before the month's end. Try to think more about the quality of what you are doing, less about the quantity.

In a surprisingly short time, you  
(continued on page 90)

## Cautious optimism

That's the prevailing mood reflected in a new Nation's Business survey of more than 240 top corporate executives in a national cross section of business and industry. A full report on their forecasts for '62 in terms of profits, sales, jobs, possibilities of war, and administration policies starts on page 50

a list of things to look into that kept being deferred from day to day:

- Rearrange tellers' lunch hours to leave more windows open during peak business periods.
- Study customer parking problems to see if it would pay for the bank to arrange facilities.
- Ask the head office about authorization to open a drive-in teller's window.
- See if the person who handles our

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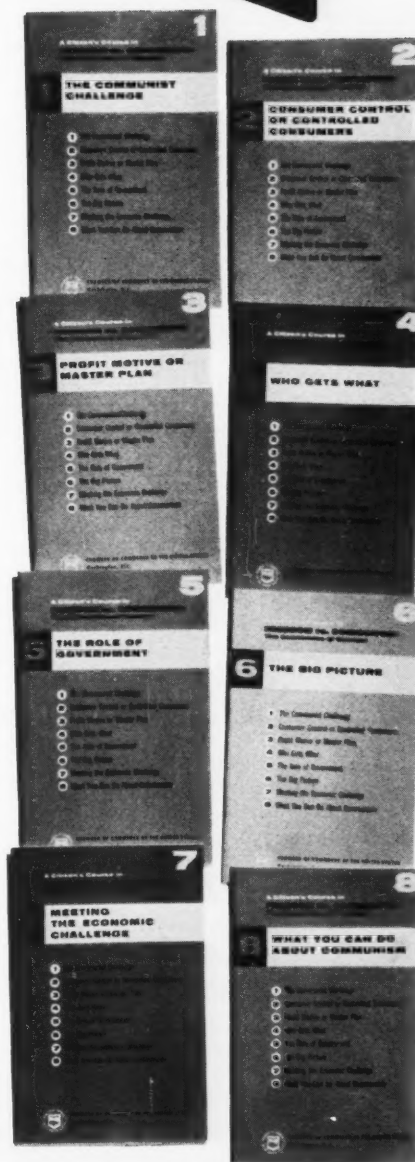
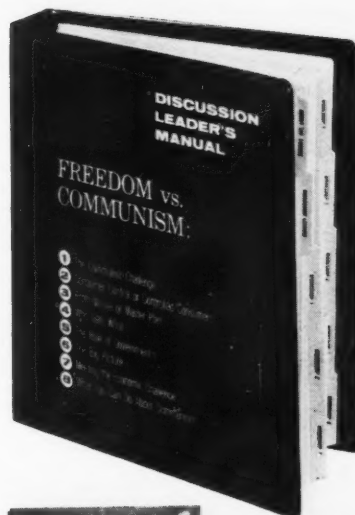
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## STRETCH TIME


continued

will find that you get accustomed to thinking of the month as a whole, rather than a succession of 30 irritating stops and starts. Near the end of a day, when unexpected problems crop up, you no longer have the familiar feeling of dejection, because the departure for home is no more final than a lunch hour or a coffee break. You will have gained a sense of continuity that makes momentary frustrations seem as minor as they really are.

If doctors, who are concerned only with your health, had their way, they would urge you to stop worrying about time altogether. Management specialists, who are concerned with your efficiency, don't go quite that far. But they think you'll make better use of time if you stop worrying about it so often.

—CHARLES A. CERAMI

**REPRINTS** of "New Way to Stretch Time" may be obtained for 15 cents a copy or \$10.15 per 100 postpaid from Nation's Business, 1615 H St., N.W., Washington 6, D. C. Please enclose remittance.



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Thousands of people made  
this connection.

The switchboard operator  
was the next-to-last.

The *last* was the businessman who lifted his Bell telephone handset and completed the connection.

The thousands before were Bell Telephone System people who developed, manufactured and installed the switchboard and hundreds of other products for the nation-wide communications system to which the business communications center shown here has access.

This switchboard and hundreds of associated items of equipment made by Western Electric:

- ... must be designed to work with all the others.
- ... must be manufactured to the same consistently

high-quality standards to provide uniformly high-quality service.

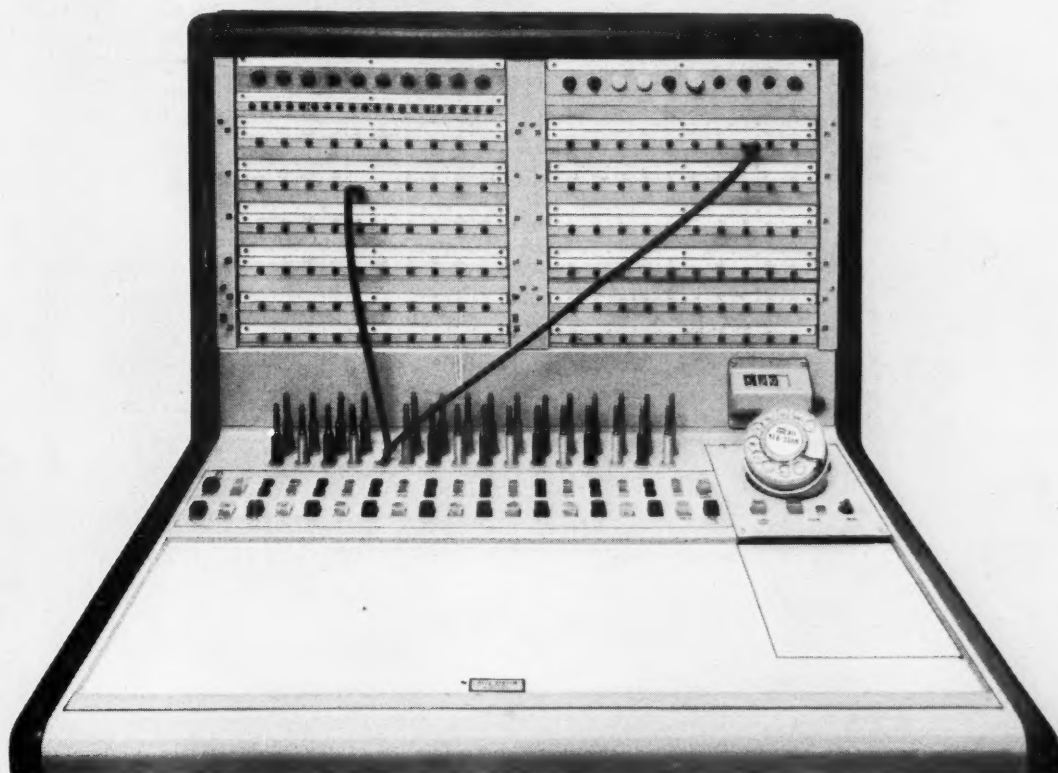
- ... must be operable in the same way and to the same service standards, wherever located.

Only by carrying forward all three tasks together can ever-widening versatility and flexibility of service be created and maintained.

And that is the common goal of Bell System people:

- ... of Bell Telephone Laboratories scientists who develop new Bell System products.
- ... of Western Electric engineers who work closely with Bell Labs to make new designs manufacturable to Bell System standards and at reasonable cost.
- ... of the personnel of Bell Telephone companies who operate the equipment to provide the range and reliability of service on which America's businessmen depend.

Together, we make your connections. We work best because we work together.



**Western Electric**

MANUFACTURING AND SUPPLY



UNIT OF THE BELL SYSTEM

# THE FOURTH R

WILLIAM HOLMES MCGUFFEY is again educating the American people.

Today he has added a fourth "R" to the Readin', Ritin' and 'Rithmetic which were the standard curriculum in his days of active teaching. Our need for the new course is urgent.

Professor McGuffey was born in Pennsylvania in 1800, moved with his family to Ohio and taught his first school there at age 13. Hampered by lack of textbooks, he compiled his own. The first two McGuffey's Eclectic Readers appeared in 1836. Four others followed.

For 60 years or so the books had almost universal acceptance. Some 122 million were sold before new teaching methods and new authors led to their replacement. So great was their contribution to national literacy that the late Henry Ford had reprints made as true artifacts of early Americana.

Recently the Lakewood school board in Twin Lakes, Wisc., proposed to replace more recent textbooks with the McGuffey Readers.

The Lakewood school superintendent and a phalanx of parents objected. The superintendent called the books obsolete; the parents called them too difficult.

They appealed to the state superintendent of schools who agreed with them. He ruled that the McGuffey Readers cannot be used as regular textbooks. If the board had ignored his decision, he could have withheld state funds from the Lakewood school.

At this point, Professor McGuffey's new course begins. The first lesson is that whatever

government agency gives communities money to maintain standards must first set the standards and then use its most effective means to enforce them. The most effective means is the denial of money.

Those who maintain that federal money for schools would not mean federal intervention in local affairs are, in effect, suggesting that the federal government would willingly neglect its duty.

Professor McGuffey's second lesson has to do with the right of appeal. Today opponents of the Lakewood board have only to go to Madison, the state capital, to be heard. If their school money came from Washington, appeal would be more costly, more cumbersome and get far less immediate action.

If Washington refused to intervene, as supporters of federal school money insist it would, they could not be heard at all.

If, as is likely, the federal money were distributed through Madison, another layer of authority would be added. The Lakewood board would appeal the Madison decision to the U. S. Department of Health, Education and Welfare. Both sides would urge their congressmen to intercede. Time and money would be wasted and the education of Lakewood children would wait.

Professor McGuffey would find all this incredible. He understood the need to teach children to read, but when he died in 1873 schools and citizens needed no textbooks in the course he is teaching today.

Professor McGuffey's fourth "R" is Responsibility.



